



Pension Plan for Salaried Employees of Bowater Mersey Paper Company Non-Retired Member Information Session

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January 2014

Audience

- Non-retired members of the:
 - Pension Plan for Salaried Employees of Bowater Mersey Paper Company Limited (“Salaried Plan”)
 - › Not receiving a pension as of June 15, 2012
 - Including:
 - › Terminated but not fully paid out (“residual”)
 - › Deferred
 - › LTD/WC
 - › Retired after June 15, 2012
- Family members and financial representatives

**Separate meetings for retired members and
members of the Union Plan**

Agenda

- Background
 - Province's Purchase of Bowater Mersey
 - Pension Plan
- Settlement Options
- Making Your Election
- Election Statement Package
 - Final Settlement
- Other Issues

This presentation is not complete without accompanying commentary - While we have done our best to provide the most up to date and accurate information, in the event of any discrepancies, the Salaried Plan terms and law will prevail

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
 - All assets and liabilities of Bowater Mersey remain with Bowater Mersey
 - Resolute no longer has any involvement with Bowater Mersey

Background – Purchase of Bowater Mersey

- Bowater Mersey is renamed ***Renova Scotia Bioenergy Inc.*** (the “Company”)
- Value of the 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

* Renamed Renova Scotia Bioenergy Inc.

Background – Pension Plan

- The Company, in conjunction with its goal to dissolve the business, declared a wind-up of the Defined Benefit Pension Plans as of December 28, 2012
 - No further service accruals or benefits earned in pension plan
 - Grow-in benefits available
 - Members who previously terminated who received only a part of their transfer payout will receive remaining amount
 - Non-retired members have option of a lump sum commuted value transfer or having an annuity purchased on their behalf
 - After all obligations are settled the plan ceases to exist

**This presentation deals with the Defined Benefit Plan only
The Defined Contribution Plan is on-going**

Background – Pension Plan

- As a result of the Wind-Up of the Salaried Plan, Morneau Shepell took the following actions
 - Notice of Wind-Up sent to all members in January of 2013
 - Implemented new investment strategy to reduce likelihood of changes in the wind-up shortfall (the deficit)
 - Wind-up reports filed June 28, 2013 *
 - Data Confirmation Statement sent to all members in July 2013
 - Election Packages sent to all non-retired members in December 2013 (except LTD members)
 - › Election Statement (Form 1) must be completed and returned by March 12, 2014

* The wind-up reports have not been approved pending resolution of certain issues for LTD members.


Background– Pension Plan

Wind-Up Funded Position (millions)		
	Dec 28, 2012	Nov 30, 2013 (estimate)
Assets	\$72	\$91
Liabilities	<u>102</u>	<u>94</u>
Surplus / (Shortfall)	\$(30)	\$(3)
Funded Percentage	71%	97%

- In January of 2013 the Company contributed \$24.9 million to improve the funded position to 95%
- The Company continues to anticipate that there will be sufficient monies to top up the Plan and provide full benefits to all members

Background – Pension Plan

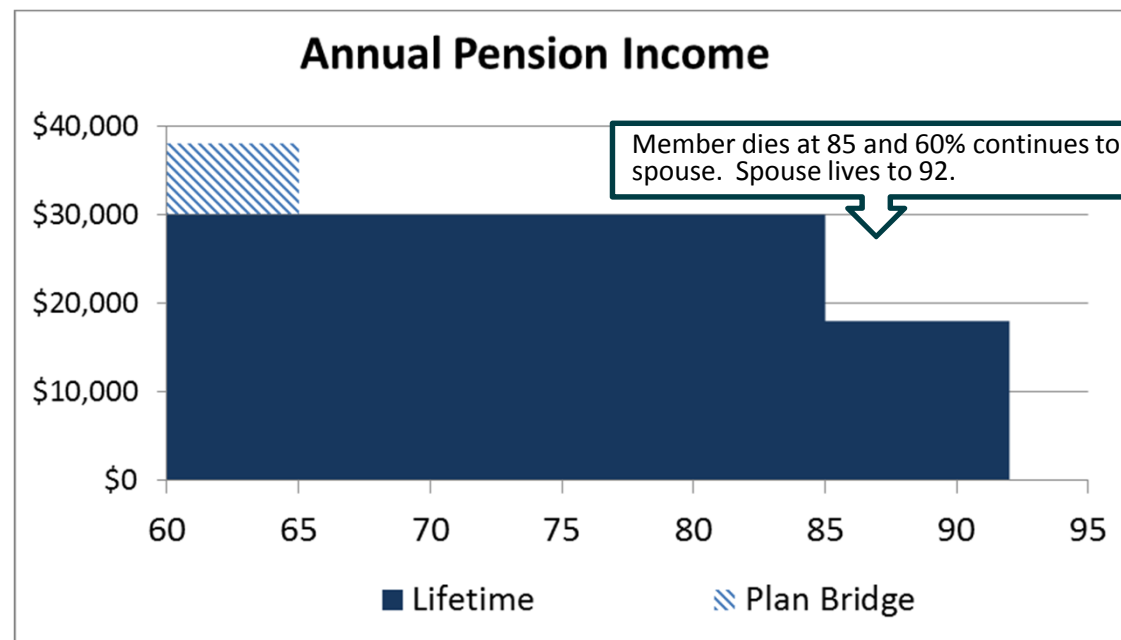
- The Salaried Plan is a Defined Benefit (“DB”) Pension Plan
 - A retirement plan where benefits are determined using a formula based on (in this case) earnings and service
 - › Longer service and higher earnings result in higher benefit
 - Purpose is to provide a monthly retirement income for the member’s lifetime
 - Additional features include
 - › Survivor benefits
 - › Bridge benefits
 - › Pre-retirement death benefit



These are called
ancillary benefits

Background – Pension Plan

- Example of a Defined Benefit Plan Payment Stream



Background – Pension Plan

- Commuted Value (or Transfer Value)
 - Instead of receiving a monthly lifetime pension, a non-retired member can take a one-time lump sum transfer of their Commuted Value
 - The Commuted Value is the present value of a member's future stream of pension and bridge benefits taking into account interest and life expectancy
 - › How much money you would have to invest today to pay for your expected future monthly pension

Background – Pension Plan

- Commuted Value (“CV”) varies by member based on:
 - Age (higher = usually a higher CV)
 - Service (higher = higher CV)
 - Earnings (higher = higher CV)
 - Eligibility for bridge benefits (yes = higher CV)
 - Eligibility for unreduced retirement (earlier age = higher CV)

Background – Pension Plan

- Wind-Up Settlement Process
 - Settlement process of the wind-up of the pension plan is dictated by the *Nova Scotia Pension Benefits Act and Regulations*
 - Settlement process being followed for the Bowater Mersey pension plans is the standard process followed for pension plan wind-ups in Nova Scotia
 - › Standard time table
 - › Standard assumptions (dictated)

Settlement Options



Settlement Options

Option 1: Transfer Option (Commutated Value Option)

Option 2: Annuity Purchase Option



Options are detailed in
Form 1
of your election package



Your election has no financial impact on us

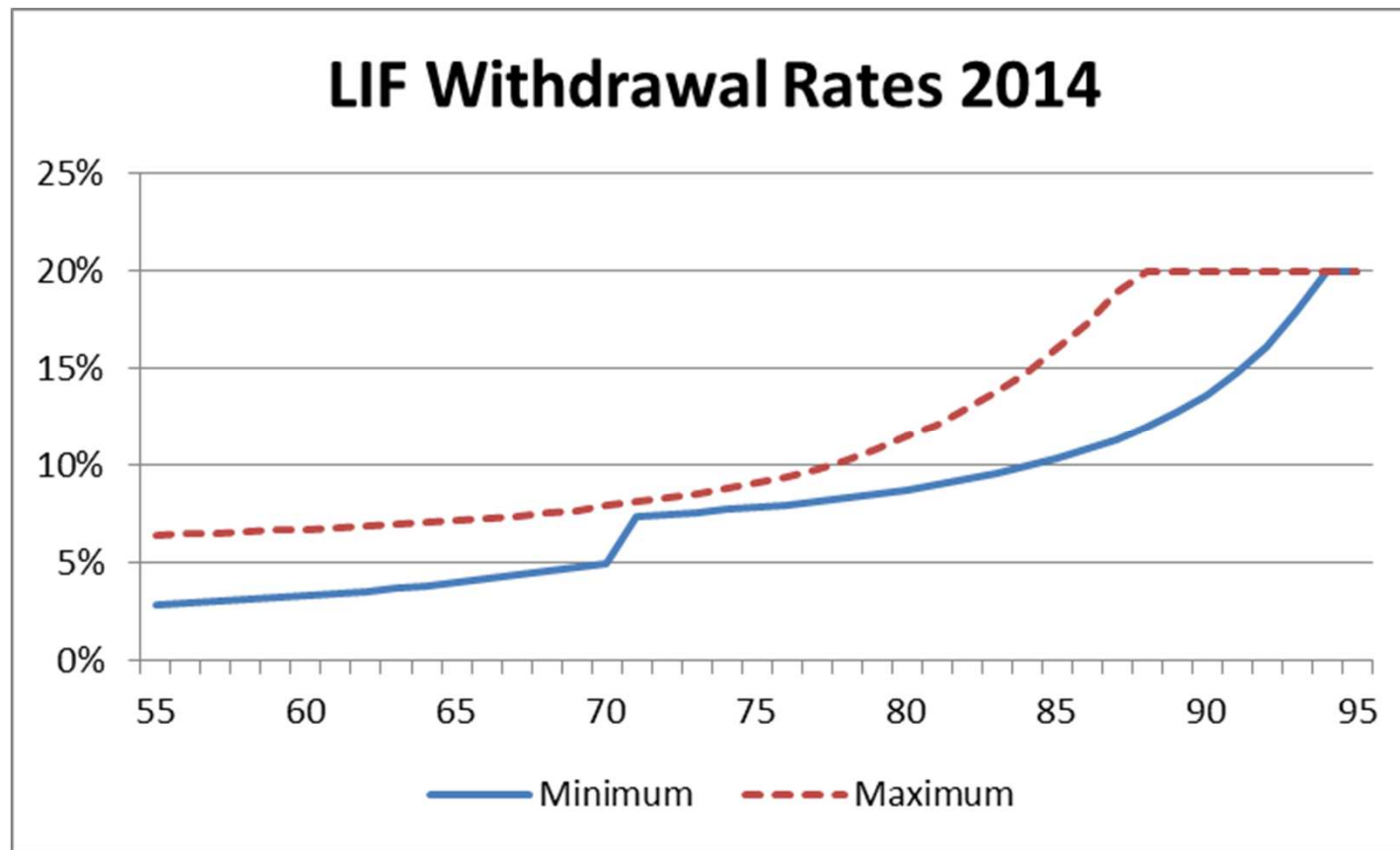
Settlement Options

- Special Situations
 - Members who have received partial settlement will receive remaining settlement in accordance with previously elected option
 - Members who started their pension after June 15, 2012:
 - › Transfer Option and pension payments will cease
 - › Continue their pension and will have option regarding value of grow-in (if applicable)

Settlement Options

- Option 1: Transfer Value (Commutated Value)
 - One time lump-sum transfer
 - › Generally locked-in – not accessible until age 55
 - Transferable to a LIRA, LIF or another pension plan
 - Tax sheltered and no impact on RRSP room
 - › After transfer, member has no entitlement under the Plan
 - Member responsible for making investment decisions and future retirement income
 - » Similar to a Defined Contribution (“DC”) Plan
 - › At retirement minimum and maximum withdrawals permitted each year (as a % of start of year account balance)
 - Minimum: 2.9% at age 55 to 20% at age 88
 - Maximum: 6.4% at age 55 to 20% at age 94

Settlement Options



Talk to your financial advisor about additional rules. Minimum and maximum withdrawal rates subject to change.

Settlement Options

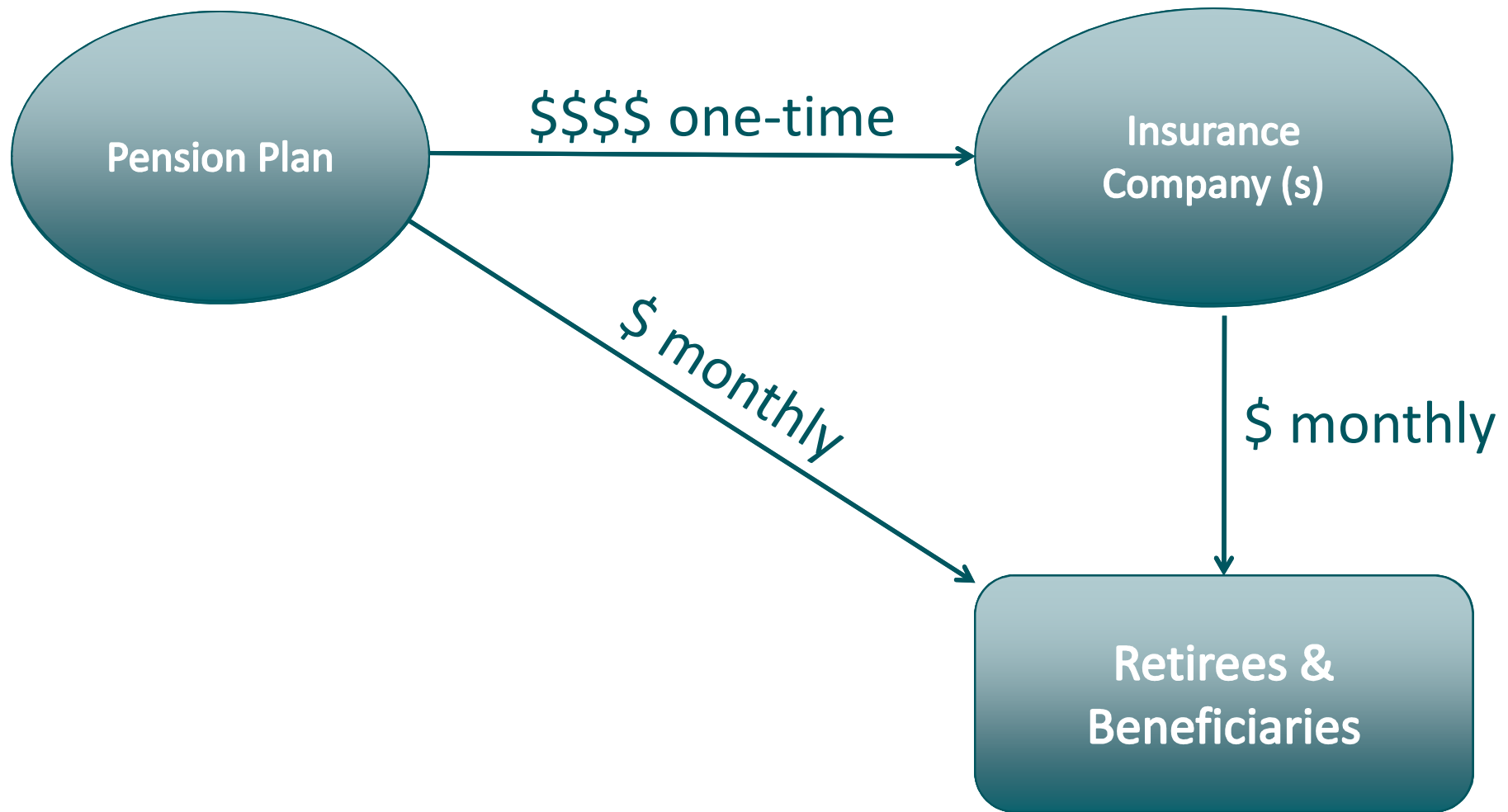
- Option 1: Transfer Value (Commutated Value)
 - May be required to take a substantial portion of your payment in cash
 - › Commonly referred to by Bowater member as “over contribution”
 - › *Income Tax Act* only allows transfers up to a certain limit
 - pension amount x factor of between 9 and 12.5
 - › Taxable - Taxes are withheld (10% under \$5,000, 20%, \$5,000 to \$15,000, 30% over \$15,000) at time of payment but additional taxes may be payable at time of income tax filing
 - › If you have RRSP, can transfer some to your RRSP
 - Requires a copy of notice of assessment and letter indicating RRSP room still exists

More on this later !!

Settlement Options

- Option 2: Annuity Purchase Option
 - Enables member to retain a monthly pension payable for life and a bridge payment, if applicable
 - › The pension plan transfers a lump sum to the insurance company and the insurance company takes over all future pension / bridge payments
 - › The insurance company is selected based on price and taking into consideration the stability of the organization and the services available
 - › After purchase, member has no entitlement under the Plan

Settlement Options



Settlement Options

- Option 2: Annuity Purchase Option
 - Same terms and conditions as the Plan
 - › Retirement dates (earliest unreduced shown on form 2)
 - › Retirement reductions (form 5)
 - › Forms (guarantee, survivor benefits) of pension (form 5)
 - › Pre-retirement death benefit (form 5)
 - Contact insurance company when ready to retire
 - › You will be provided contact information
 - Monthly payments are taxable as income and eligible for income splitting

Settlement Options

- Option 2: Annuity Purchase Option – Forms of Pension
 - Members will elect a form of pension at time of retirement
 - › Guaranteed Pension
 - Pension payable for life. If you die before receiving total number of guaranteed payments, named beneficiary receives the balance of the payments
 - › Joint and Survivor
 - Pension payable for life, with specified % of monthly pension continuing to surviving spouse (designated at date of retirement) after death for spouse's lifetime.

Settlement Options

- Option 2: Annuity Purchase Option – Forms of Pension
 - Example of Guaranteed 120 months (\$1,000 per month)

Monthly Payment	Member alive	Member deceased
1 st 120 months	\$1,000	\$1,000
After 120 months	\$1,000	\$0

- Example of Joint and Survivor 60% (\$900 per month)
 - › About 10% lower initial pension than 120 month guarantee

Member alive Spouse alive	Member alive Spouse deceased	Member deceased Spouse alive	Member deceased Spouse deceased
\$900	\$900	\$540 (60% of \$900)	\$0

Settlement Options

- Option 2: Annuity Purchase Option – Forms of Pension
 - Members will elect a form of pension at time of retirement
 - › Joint and Survivor with Guarantee
 - This pension is payable to you for your life. However, if you die before receiving the total number of guaranteed payments, then your surviving spouse will receive the monthly pension until the end of the guarantee period. After your guarantee period expires, a percentage of the pension that was payable to you will continue to be paid to your surviving spouse for life.

Settlement Options

- Option 2: Annuity Purchase Option – Forms of Pension
 - Example of Joint and Survivor 60% with a 10 year guarantee (\$880 per month)
 - › Initial pension slightly less than a Joint and Survivor with no guarantee

	Member alive Spouse alive	Member alive Spouse deceased	Member deceased Spouse alive	Member deceased Spouse deceased
1 st 120 months	\$880	\$880	\$880	\$880
After 120 months	\$880	\$880	\$528 (60% of 880)	\$0

Settlement Options

- Option 2: Annuity Purchase Option – Forms of Pension
 - Pension values shown on Form 1 and Form 3
 - › Pension earned for pre 2003 service:
 - Guaranteed 120 months
 - › Pension earned from 2003 to 2008:
 - Guaranteed 60 months
 - › Pension earned on and after January 1, 2009:
 - Joint and Survivor 60%

Settlement Options

- Option 2: Annuity Purchase Option – Forms of Pension
 - Optional forms available at retirement
 - › Married/Common-Law
 - Joint and Survivor 60%
 - Joint and Survivor 60% with a 10 year guarantee
 - Joint and Survivor 75% with a 10 year guarantee
 - Joint and Survivor 100% with a 10 year guarantee
 - Guaranteed 15 years
 - › Single
 - Guaranteed 5 years
 - Guaranteed 10 years
 - Guaranteed 15 years

Settlement Options

- Option 2: Annuity Purchase Option – Benefit Security
 - Insurance company annuities are protected by Assuris
 - › Assuris is a non-profit organization funded by the life insurance industry and endorsed by government
 - › If an insurance company fails, Assuris provides protection for the greater of \$2,000 per month or 85% of the monthly pension in pay
 - › For individuals with monthly pensions in excess of \$2,000 per month, we will purchase your annuity from more than one insurance company to provide full protection
 - Co-ordination of pension benefits

Settlement Options

- Option 2: Annuity Purchase Option – Benefit Security
 - Example – A retiree currently receiving a \$3,000 per month pension from the plan on a joint and survivor 60% basis (\$1,800 after death)

Before Settlement

\$1,800
From pension plan after death

After Settlement

\$1,200
From Insurer A after death

\$600
From Insurer B after death

Making Your Election



Making Your Election

- Likely one of the biggest financial decisions of your life
 - We cannot offer financial advice - we can help provide you sufficient information to make an informed decision
- Please review *Comparison of Annuity Purchase Option and Commuted Value Option* sheet (form 6)
- Request financial advice from a trusted source
 - Consult your spouse, family, trusted advisor
 - Discuss pros and cons for your situation
 - Discuss and understand fees
 - Get cash flow projections (related to transfer value) under various scenarios (optimistic, pessimistic, etc.)

Making Your Election

- Option 1: Transfer Value – Things to Consider
 - Investment Control
 - › Investment decisions now your responsibility. Should investments do poorly income will decrease and vice versa (more risk of volatility)
 - More flexibility
 - › Provided by cash payment and members choice (subject to fairly restrictive constraints) of timing and amount of withdrawals
 - › Could purchase annuity in the future (cost unknown)
 - › Possible unlocking based on financial hardship
 - Death benefit
 - › Full account balance to beneficiary (no guaranteed income for spouse)
 - › Beneficiary (spouse) becomes responsible for investment decisions

Making Your Election

- Option 1: Transfer Value – Things to Consider
 - Longevity risk (outliving your money)
 - › Male age 65, on average, lives to about 86
 - › Female age 65, on average, lives to about 88
 - Fees
 - Cash payment
 - › Reduces income in retirement (discuss impact with financial advisor)
 - › Taxes withheld likely insufficient
 - Potential significant additional taxes payable
 - Seek tax advice from a qualified individual
 - Remember to set some money aside for additional tax liability
 - › Impact on Employment Insurance / CPP disability benefits
 - Will include optional ancillary contributions

Making Your Election

- Option 2: Annuity Purchase – Things to Consider
 - Investment Control
 - › No Investment decisions to make
 - › Do not benefit/suffer from strong/weak market performance
 - No flexibility, but security
 - › Monthly payments predetermined
 - Death benefit
 - › Pre-retirement – According to plan terms
 - › Post-retirement - According to form of pension you select at retirement

Making Your Election

- Option 2: Annuity Purchase – Things to Consider
 - Longevity risk
 - › Payments continue for both your lifetime
 - › Payments continue for spouse's lifetime (if elect joint and survivor form)
 - No Fees
 - Retirement Date
 - › Pension amount does not increase if you start your pension after your unreduced retirement date
 - If you don't intend to start receiving a pension until after your earliest unreduced retirement date you are leaving money on the table
 - How to use optional ancillary contributions to improve benefits
 - Irreversible – cannot convert to a lump sum at a later date

Making Your Election

- The transfer / annuity purchase option may be of interest to you if...

Transfer Option	Annuity Purchase Option
You are comfortable making investment decisions	You have limited investment knowledge
You are comfortable with fluctuating income	You would prefer a stable predetermined monthly income
You have a shortened life expectancy	You are concerned about outliving your money
You have other annuity type income and wish to diversify	You have other RRSP type income and wish to diversify
Your spouse is comfortable with investment decisions and fluctuating income	After your death you want your spouse to have a pre-determined monthly income
A cash payment (if available) will not overly impact your retirement income	You are uncomfortable with the cash payment (if available) under the transfer option and do not want to pay the one-time taxes associated with the transfer option

Election Statement Package



Election Statement Package

- Differ by circumstance
 - “Standard”
 - Small benefit
 - Residual member
 - Retired post June 15, 2012
 - › No grow-in entitlement
 - › With grow-in entitlement

Note: No election package for pre June 15, 2012 retired members / survivors

Election Statement Package

- Form 1 – Wind-Up Election Statement
 - Most important form
 - This is where you make your election
- YOU NEED TO:
 - Select Pension Entitlement option
 - › Transfer value or annuity purchase
 - Select 50% excess contribution option (if applicable)
 - › Cash (taxable) or transfer to a non-locked-in RRSP
 - › If you elect an annuity purchase you must take cash
 - Complete certification section
 - › Signature / address / date / phone number

Election Statement Package

- Form 1 – Wind-Up Election Statement
 - Must be returned by March 12, 2014 !!!
 - If you do not return the form by March 12, 2014 you will be defaulted as per your statement
 - › For most members: Annuity Purchase Option
 - Election cannot be changed after March 12, 2014
 - If you started a pension after June 15, 2012
 - › Option 1: Transfer value shown will be reduced by pension payments received to transfer date plus interest
 - › Option 2: Annuity will be purchased in the amount you are currently receiving with the same survivor benefits

Election Statement Package

- Form 2 – Personal Information
 - › Confirmed in July of 2013
 - › Includes your earliest unreduced retirement date
- Form 3 – Vested Entitlement
 - › Details on form and amount of pension
- Form 4 – Assumptions used to calculate commuted value
- Form 5 – Additional Information (for annuity purchase option)
 - › Early retirement reductions / pre-retirement death benefits / forms of pension
- Form 6 – Comparison of Annuity Purchase Option and Commuted Value Option
- Form 7 - Checklist

Election Statement Package

- Other forms / requirements
 - › T2151 / Locking-in agreement
 - Required for transfer option only
 - 2nd T2151 required if having excess transferred to a RRSP
 - › Spousal waiver
 - Only required if electing transfer option and transferring to a LIF
 - › Void check
 - for direct deposit if receiving any cash (otherwise cheque issued)
 - › Proof of age (**absolutely required**)
 - Birth certificate, passport, baptismal certificate, driver's license
 - Copy only

Election Statement Package - Final Settlement

- Letter to members before settlement date (early May)
 - Confirm your elections, exact amount of transfer or purchase
- Final Settlement occurs at the same time for everyone
 - Transfers, cash payments, annuity purchase
 - Ease of administration and ability to determine final contribution required by the Company
 - Settlement will be within 60 days of the later of
 - i. The date the wind-up report is approved by the Superintendent of Pensions; and
 - ii. March 12, 2014 (i.e. May 11, 2014)

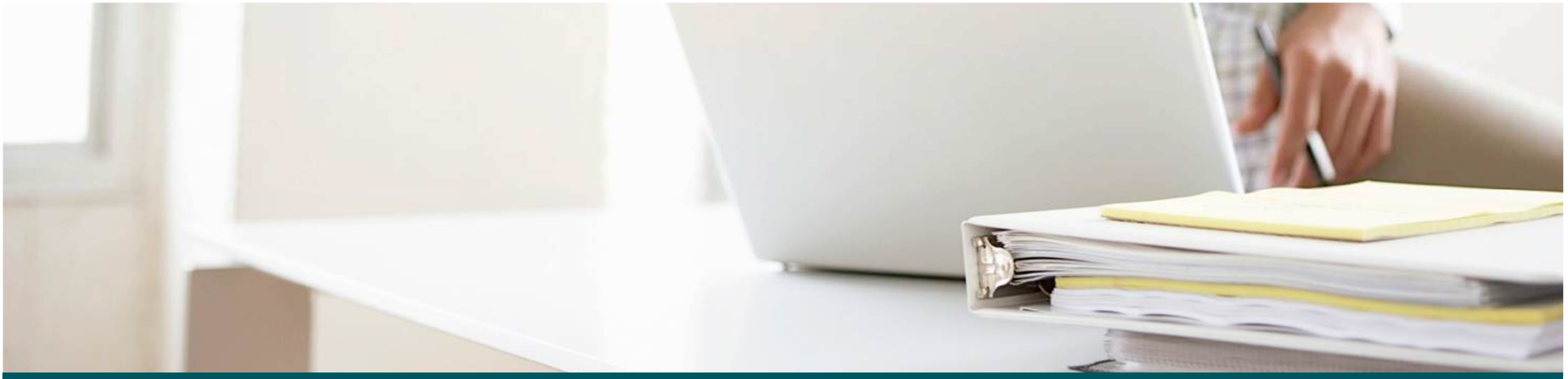
Other Issues

- DC Plan
 - Currently on-going, will be wound up in next several months
 - Any DC contributions owed for salary continuance after wind-up date will be paid in cash
- DPSP
 - Will be wound up and benefits settled
- Additional DB Pension Accrual post wind-up
 - Active Service and Salary continuance period
 - Paid in cash directly from the Company
 - Statements can be expected in April (payments in June)
 - › May be delays for those with service beyond April 2014

Final Note

- 20 minute one-on-one sessions with a Morneau Shepell representation to answer any of your 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)
bowater@morneaushepell.com

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

