



Bowater Mersey Paper Company Limited Pension Plans (“Plans”) Pensioner / Survivor Information Session

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Audience

- Retired members and survivors of retired members of the:
 - Pension Plan for Non-Salaried or Union Employees of Bowater Mersey Paper Company Limited (“Union Plan”)
 - › Receiving a pension as of November 14, 2011
 - Pension Plan for Salaried Employees of Bowater Mersey Paper Company Limited (“Salaried Plan”)
 - › Receiving a pension as of June 15, 2012
- Family members and financial representatives

Separate meetings for non-retired members

Agenda

- Background
 - Province's Purchase of Bowater Mersey
 - Pension Plan
- Wind-Up of the Plans
 - Settlement and Security of Benefits
- Other Benefits

**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 Plans' 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 Plans

- The Company, in conjunction with its goal to dissolve the business, declared a wind-up of the Pension Plans as of December 28, 2012
 - Orderly payout of Plan assets and settlement of obligations
 - When assets are transferred and all obligations are settled (including annuity purchases) the plan ceases to exist
 - **Monthly pensions continue to be paid throughout and after process**

Background – Pension Plans

- Other implications of wind-up for non-retired members
- FYI only – does not impact retired members
 - 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 received only a part of their transfer payout will receive remaining amount

Background – Pension Plans

- As a result of the Wind-Up of the Plans, Morneau Shepell took the following actions
 - Notice of Wind-Up sent to all members in January of 2013
 - Wind-up reports filed June 28, 2013 *
 - Data Confirmation Statement sent to all members in July 2013
 - › *Ensure you received, reviewed and returned this form*
 - Election Forms sent to all non-retired members in December 2013 (except LTD members)
 - › *Retirees and survivor do not have any elections to make*

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

Background– Pension Plans

Wind-Up Funded Position at December 28, 2012 (millions)

	Union Plan	Salaried Plan
Assets	\$136	\$72
Liabilities	<u>206</u>	<u>102</u>
Surplus / (Shortfall)	\$(70)	\$(30)
Funded Percentage	66%	71%

- In January of 2013 the Company contributed assets to improve the funded position of the Plans to 95%
 - \$59.7 million to the Union Plan
 - \$24.9 million to the Salaried Plan

Background – Pension Plans

- Security of Benefits Before Settlement
 - Investments:
 - › Equities sold and re-invested in fixed income
 - › New investment manager (Louisbourg) hired to focus on fixed income investments
 - › New investment strategy reduces likelihood of changes in the wind-up shortfall (the deficit)
 - Reduces likelihood of pension shortfall exceeding available cash

Background– Pension Plans (11 months later)

Estimated Wind-Up Funded Position at November 30, 2013 (millions)

	Union Plan	Salaried Plan
Assets	\$183	\$91
Liabilities	<u>188</u>	<u>94</u>
Surplus / (Shortfall)	\$(5)	\$(3)
Funded Percentage	97%	97%

- The Company continues to anticipate that there will be sufficient monies to top up the Plans and provide full benefits to all members

Wind-Up of the Plans



Wind-Up of the Plans

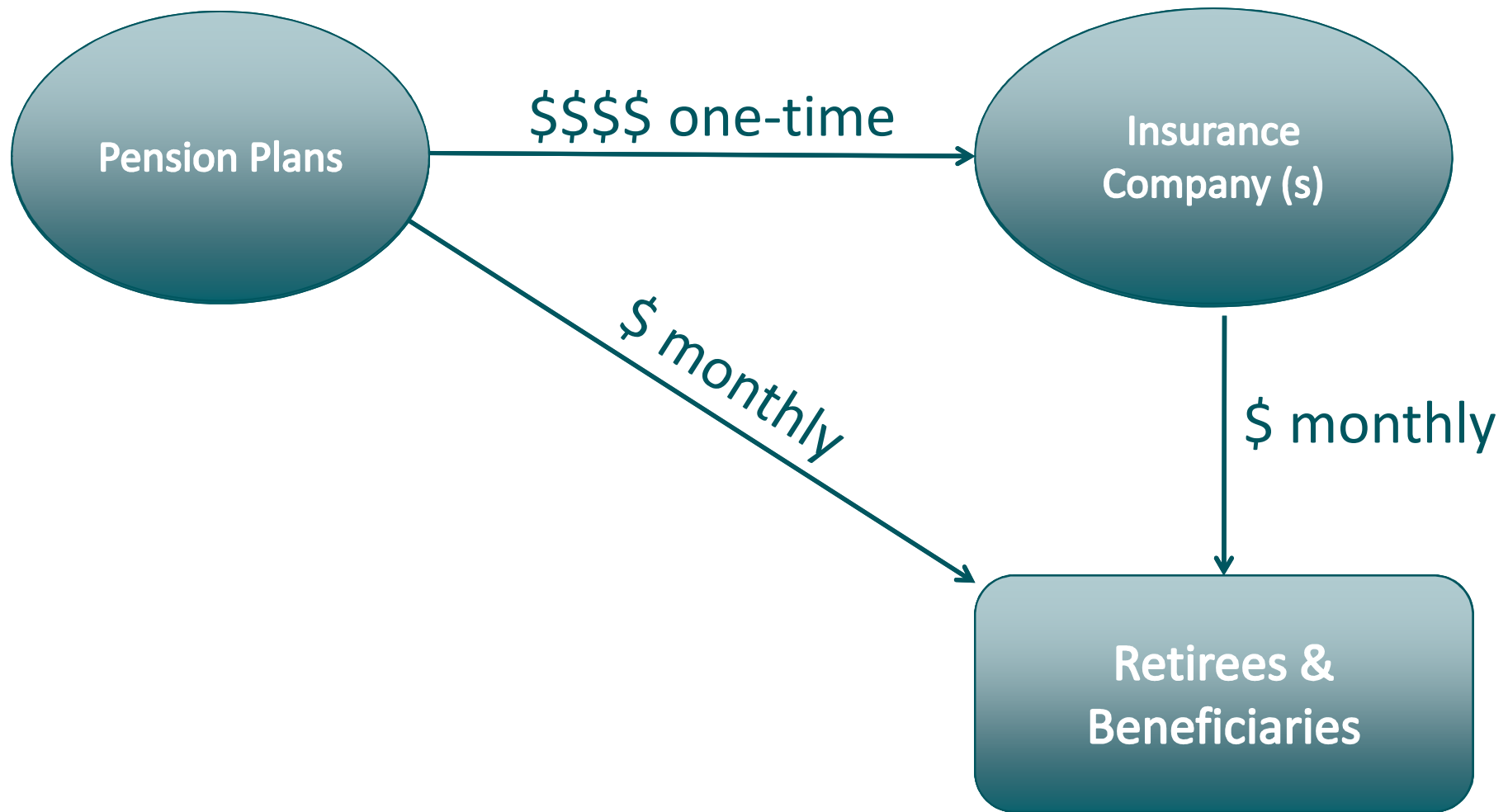
- Settlement Process
 - Settlement process of the wind-up of the pension plans is dictated by the *Nova Scotia Pension Benefits Act and Regulations*
 - Settlement process being followed for the Bowater Mersey pension plans is the standard process followed for pension plan wind-ups in Nova Scotia
 - ›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

Wind-Up of the Plans

- Settlement Process

- Once the wind-up reports are approved by the Nova Scotia Superintendent of Pensions, all benefits for the Plans' members will be settled
- Settlement for Retirees and Survivors means the purchase of an annuity (a monthly pension and/or bridge) from one or more insurance companies
 - › The pension plan transfers a lump sum to the insurance company and the insurance company takes over all future pension payments
 - › Assets and liabilities are transferred to the insurer

Wind-Up of the Plans



Wind-Up of the Plans

- Settlement Process

- The insurance company is selected based on price and taking into consideration the stability of the organization and the services available
- Once the annuities are purchased, the members no longer have any entitlements under the Plans
- Once settlement is completed for all Plan members, the Plan will be de-registered and cease to exist

Wind-Up of the Plans

- After Settlement

- Retirees/survivors continue to be paid on the exact same terms (guarantee period, survivor benefits, bridge and monthly pension amounts)
 - › Details of these terms were provided in your Data Confirmation Statement sent in July 2013
- Tax treatment remains the same
- Only the source of payment will change (insurance company vs. pension plan)
- The insurance company sends a welcome letter detailing the benefits purchased on your behalf (Morneau Shepell will send a letter to you as well detailing what we purchased on your behalf)

Wind-Up of the Plans

- After Settlement – Security of Benefits
 - Annuities payable from insurance companies 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

Wind-Up of the Plans

- After Settlement – Security of Benefits
 - 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

Wind-Up of the Plans

- Other Annuity Purchase Issues
 - Co-ordination of Benefits
 - › Where possible, for those members with annuities purchased from more than one insurer, the insurance companies work together to co-ordinate your benefits so you only receive communication and payment from one Company
 - Health/Dental premiums payable
 - › Where possible, deductions for health/dental or MPA premiums will continue to be deducted from your pension payments once payable from the insurance company

Other Benefits



Other Benefits

- Health and Dental Benefits
 - Union Retirees in MPA – we understand this program is continuing without change (retirees pay 100% of the premiums)
 - › Company has no involvement in MPA for retired members
 - Salaried Retirees with Health and Dental Benefits
 - › Establishment of an Employee Life and Health Trust
 - › Trust will be funded to provide future Company paid claims and expenses
 - › Trust will cover future Company obligations as they relate to Health and Dental Benefits
 - › Trust will be administered by a group of trustees
 - › More information to be provided later (in Q1 of 2014)

Other Benefits

- Life Insurance
 - Face value of all non paid-up life insurance benefits will be paid out in the next couple months
 - › Taxable benefit
 - › More communication to follow shortly
 - No change to any paid-up life insurance benefits
- SERP (Supplementary benefits)
 - Annuities will be purchased for these benefits as well



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

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