

June 10, 2016

**Re: Contributory Pension Plan for Salaried Employees of Wabush Mines, Cliffs Mining Company, Managing Agent, Arnaud Railway Company, and Wabush Railway Company, Limited (the “Plan”)  
(Newfoundland and Labrador Superintendent of Pensions Registration #021314)**

Dear Plan Member/Former Member:

In May of 2015, Wabush Iron Co. Limited, Wabush Resources Inc. and certain of their affiliates, including Wabush Mines, Arnaud Railway Company and Wabush Lake Railway Company Limited (collectively the “Wabush Group”) entered into proceedings under the Companies’ Creditor Arrangement Act (“CCAA”).

In March of 2016, the Wabush Group, via their legal counsel, requested the Newfoundland and Labrador Superintendent of Pensions (“Newfoundland Superintendent”) appoint a replacement Administrator for the Plan as they felt they no longer had the resources available to act as the Administrator. **On March 30, 2016, the Newfoundland Superintendent appointed Morneau Shepell as Plan Administrator, effective immediately. As Administrator we are ultimately responsible to ensure that the Plan is administered in accordance with the law and in the best interest of the Plan beneficiaries.**

We are writing to introduce ourselves, discuss the termination of the Plan, advise you of upcoming member information meetings, and provide you with our contact information.

## About Morneau Shepell

Morneau Shepell is the largest Canadian-owned employee benefits and actuarial consulting firm. We are a leading Canadian provider of pension and benefits services. We have broad and in-depth experience across Canada working with pension plan sponsors and members, and pension plan wind-ups.

As the Administrator of the Plan, Morneau Shepell’s roles include:

- providing information to and answering questions from Plan members;
- ensuring that the Plan is administered in accordance with the Plan documents and legislative requirements;
- overseeing other service providers to the Plan, such as investment managers, trustees, legal counsel, and third party actuaries;
- representing the Plan in all matters related to the Wabush Group insolvency CCAA proceedings including the filing of Plan claims and voting on any plan of arrangement; and
- conducting an independent review of the historical administration, funding, and interpretation of the Plan.

## Termination (Wind-Up) of the Plan

The Newfoundland Superintendent declared a termination of the Plan effective December 16, 2015. You were notified of the Plan termination by the Wabush Group in a letter dated January 26, 2016. As a result of the Plan termination, all members' entitlements will be settled by either i) a one-time lump sum transfer out of the Plan to the financial institution of the member's choosing or ii) through an annuity purchase (from an insurance company or by transfer to Retraite Quebec). The options available to you on settlement will vary based on your status (retired or non-retired) and the regulatory jurisdiction you fall under (Quebec or Newfoundland and Labrador). **If you have not yet started your pension as at December 16, 2015, please refer to the attached information document titled "Document for Non-Retired Members" (blue insert) for information on whether you can start your pension prior to the Settlement Date and available options at the settlement date. If you have started your pension, please refer to the attached information document titled "Document for Retired Members and Survivors" (yellow insert) for information on the annuity purchase that will be made on your behalf at the settlement date.**

As a result of the termination of the Plan, and in an effort to preserve the Plan's assets, the Newfoundland Superintendent authorized a reduction effective March 1, 2016 in the monthly pension payments to 75% (the most recent estimated funded percentage of the Plan and therefore the estimated proportion of benefits members will receive at the Settlement Date).

Since our appointment, our work has included:

- Transitional work including collection of historical member files and plan documentation and information, discussion with service providers and prior plan administrator on various outstanding issues, review of plan terms, financial information, and sample historical individual calculations (Transitional work has been performed at no cost to the Plan);
- Discussion with regulators regarding interpretation and application of specific regulations to the wind-up;
- Review, related discussions, and instructions to the third party actuary regarding draft wind-up calculation figures;
- Securing pension annuity quotations from insurance companies to estimate the cost of settling benefits;
- Correspondence with CCAA monitor, and members' legal counsel;
- Preparing proposal and interviewing prospective investment managers to move to an immunized investment strategy;
- Engaging external legal counsel to represent the interests of the Plan.

In the near future we anticipate providing you with a data confirmation statement to ensure that we have your correct information. Once you receive this communication some action will be required on your part, so please read the documents carefully and respond accordingly.

Please note that all assets of the Plan are held in trust by CIBC Mellon for the exclusive benefit of members and former members of the Plan. The pension funds are **NOT** available to satisfy any of the Wabush Group's obligations.

Please refer to the Frequently Asked Question document provided by Wabush Mines in January 2016 for additional information regarding the wind-up.

## Upcoming Member Meetings

We had planned on holding initial member meetings in May. When the May meetings were communicated to salaried employees' legal counsel, we were advised that members had received adequate pension plan information, were well informed on the wind-up process, and did not want meetings at that time. Based on these comments, we agreed to postpone our meetings to July.

We encourage members along with their spouses/family members to attend meetings on July 26<sup>th</sup> in Wabush and July 27<sup>th</sup> in Sept-Îles for more information on the wind-up, including:

- Information regarding the financial position of the Plan;
- Termination/Wind-Up Process and Timelines;
- Pension Plan Settlement Options;
- Regulatory Updates; and
- CCAA Update

We would also be pleased to answer any questions and address any concerns you may have at these meetings.

Based on conversations with the salaried employees' legal counsel, we will be holding one meeting for all Plan members at each of Wabush and Sept-Îles:

## Member Meetings Schedule

Date and Meeting Times		Location	Location (Language)
Tuesday July 26	6:00 - 8:00	Our Lady of Assumption Catholic Church (Church Hall/Basement) Wabush, NL	Wabush (English)
Wednesday July 27	12:30 - 2:30	Château Arnaud 403, avenue Arnaud Sept-Îles (Québec)	Sept-Îles (French)

*Meetings for members of the Wabush Bargaining Unit plan will be held on the same dates but at a different time.*

## Contacting Morneau Shepell

All pension related requests and questions should be directed to Morneau Shepell. The following toll free number and e-mail address are available for queries relating to the Plan:

1-855-465-5266 or [WabushSalaried@morneaushepell.com](mailto:WabushSalaried@morneaushepell.com)

We will also have copies of the meeting presentations available after the presentation dates at:

[www.pensionwindups.morneaushepell.com](http://www.pensionwindups.morneaushepell.com)

## Your Contact Information

If you have a change in mailing address, please contact Morneau Shepell to advise us of the change so that future communications regarding the Plan reach you in a timely manner.

\* \* \* \*

We are committed to providing open communication to all Plan members and look forward to communicating and meeting with you in the near future.

Yours truly,

MORNEAU SHEPELL LTD.

In its capacity as Administrator of the Plan and not in its personal capacity.

Per:	Paul Chang	Paula Boyd
	Partner	Principal

# Contributory Pension Plan for Salaried Employees of Wabush Mines, Cliffs Mining Company, Managing Agent, Arnaud Railway Company, and Wabush Railway Company, Limited (the “Plan”)

## Document for Non-Retired Members as at the wind-up date (December 16, 2015) - Defined Benefit Provision

If you are in receipt of a pension as of the wind-up date, this document does not apply. Please refer to the Document for Retired Members and Survivors.

### Definitions

**Actuarial Equivalent** means two streams of pension payments with an equal present value given specific assumptions for future interest rates and life expectancies. For example, a pension of \$100 per month starting at age 65 payable for life might be actuarially equivalent in value to a pension of \$55 per month starting at age 55 payable for life. As another example, a pension of \$100 per month starting at age 65 for life might be actuarially equivalent in value to a pension of \$90 per month starting at age 65 payable for life, with 60% of the pension amount ( $\$90 \times 60\% = \$54$ ) continuing to be paid monthly for the spouse's lifetime after the member's death. The actual values (the \$55 or \$90 in these examples) will vary with assumptions and the member's and spouse's dates of birth.

**Annuity Purchase** occurs when money is transferred to an insurance company from, in this case, a pension plan and the insurance company takes over responsibility for making all future monthly payments to the individual and beneficiary/spouse for whom the annuity was purchased on the same terms and conditions as the pension plan provided.

**Commuted Value** is a one-time lump sum dollar amount equal to the present value of your accrued benefit assuming you start to receive monthly pension payments at the age which maximizes its value. The actual Commuted Value payable on Settlement Date would be the Commuted Value determined based on the Plan terms multiplied by the Plan's Funded Percentage. Any pension payments received prior to the Settlement Date will reduce the Commuted Value that you are otherwise entitled to.

**Funded Status/Funded Percentage** means the percentage of the Plan's promised benefits that the Plan can settle based on the amount of assets available to the Plan.

**Settlement Date** means the date that your Commuted Value is transferred out of the Plan to a financial institution or an Annuity Purchase is made from an insurance company.

**Termination Date** means:

- i) the date of termination of employment for persons who terminated employment prior to December 16, 2015 (including employees of Scully Mine whose employment was terminated around December 2014); or
- ii) for all other persons (including employees on lay off as at the wind-up date, employees still actively working for Wabush Mines as at the wind-up date, and employees on LTD, WCB or leave of absence as at the wind-up date) means December 16, 2015.

**Unreduced Retirement Date** means the date at which you can start your pension without a reduction under the Plan terms. Due to the Plan's underfunded status, any pension payable under the Plan, including those starting at your Unreduced Retirement Date will be multiplied by the Plan's Funded Percentage. Please note in certain situations, early retirement reductions required under the Income Tax Act may still apply at your Unreduced Retirement Date.

	Jurisdiction	
	Newfoundland and Labrador	Quebec
<b>1. Which jurisdiction am I in?</b>  <b>(Please refer to the data confirmation statement that will be sent in the near future for your jurisdiction)</b>	Generally, an employee who worked in Newfoundland and Labrador.	Generally, an employee who worked in Quebec.
<b>2. When can I start my pension?</b>	You may start your pension if you have reached your Earliest Retirement Date.	
<b>3. When is my Earliest Retirement Date (with a reduction)?</b>	Age 55	Age 55
<b>4. What is the reduction if I retire at my Earliest Retirement Date or later?</b>	<p>If you have not reached your Unreduced Retirement Date at your Termination Date, and</p> <ul style="list-style-type: none"> <li>a) have less than 15 years of continuous service at your Termination Date, the reduction is the Actuarial Equivalent of your age 65 pension benefit; or</li> <li>b) have 15 years or more of continuous service at your Termination Date, the reduction is 0.5% for each month your pension commencement date precedes age 65.</li> </ul> <p>Note: In all cases, the reduction will not be less than Actuarial Equivalent of your age 65 pension benefit.</p>	<p>If you have not reached your Unreduced Retirement Date at your Termination Date, and</p> <ul style="list-style-type: none"> <li>a) have less than 15 years of continuous service at your Termination Date, the reduction is the Actuarial Equivalent of your age 65 pension benefit; or</li> <li>b) have 15 years or more of continuous service at your Termination Date, the reduction is 0.5% for each month your pension commencement date precedes age 65.</li> </ul> <p>Note: In all cases, the reduction will not be less than Actuarial Equivalent of your age 65 pension benefit.</p>
<b>5. When is my Unreduced Retirement Date?</b>  <b>(The first of the month following the event noted)</b>  <b>Note: Under the Income Tax Act, your pension or bridge benefit may still be subject to a reduction on your Unreduced Retirement Date.</b>	<p>If you had 30 years of Continuous service at your Termination Date: your Termination Date.</p> <p>Otherwise, if you were part of a plant closure or were on lay-off and you had at least 15 years of Continuous Service at your Termination Date and you met one of (a) or (b) below, your Unreduced Retirement Date is your Termination Date:</p> <ul style="list-style-type: none"> <li>a) were at least age 55 at your Termination Date; or</li> <li>b) had 80 points at your Termination Date (age plus actual Continuous Service to your Termination Date)</li> </ul>	<p>If you had 30 years of Continuous service at your Termination Date: your Termination Date.</p> <p>Otherwise, if you were part of a plant closure or were on lay-off and you had at least 15 years of Continuous Service at your Termination Date and you met one of (a) or (b) below your Unreduced Retirement Date is your Termination Date:</p> <ul style="list-style-type: none"> <li>a) were at least age 55 at your Termination Date; or</li> <li>b) had 80 points at your Termination Date (age plus actual Continuous Service to your Termination Date)</li> </ul>

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	If you do not meet any of the above criteria, age 65.	If you do not meet any of the above criteria, age 65.
<b>6. When will I receive information on my Settlement Options?</b>	After approval of the wind-up report. We anticipate this to occur in early Fall.	After approval of the wind-up report. We anticipate this to occur in early Fall.
<b>7. What will be my options at the Settlement Date?</b>	<p>You may elect to receive your entitlement as:</p> <ul style="list-style-type: none"> <li>a) A Commuted Value transfer to a locked in financial vehicle (part of it may have to be paid in cash)</li> <li>b) An Annuity Purchase from an insurance company</li> </ul> <p>Note: If you choose to start your pension between the wind-up date and the Settlement Date, you will have to choose between (a) and (b) at the time you start your pension.</p>	<p>You will receive your entitlement as a Commuted Value transfer to a locked in financial vehicle (part of it may have to be paid in cash)</p> <p>Note: If you wish to purchase an annuity with your monies, you may do so with the amount of money allocated to you.</p>
<b>8. If I start my pension between the wind-up date and the Settlement Date, what are my options at the Settlement Date?</b>	The option you choose at the time you started your pension (see number 7 above).	A Commuted Value. If you wish to purchase an annuity with your monies, you may do so with the amount of money allocated to you.
<b>9. If I die before starting my pension and before the Settlement Date, what will my beneficiary receive?</b>	<p>The commuted value of your pension.</p> <p>In certain situations, under the Plan terms, a surviving spouse may be entitled to a larger benefit.</p>	
<b>10. If I die after starting my pension and before the Settlement Date, what will my beneficiary receive?</b>	<p>If you elected, at the time you started your pension, a Commuted Value at the Settlement Date: Your surviving spouse, if any, will receive the elected percentage of benefits payable monthly until the Settlement Date. At the Settlement Date, your surviving spouse, or beneficiary if you have no spouse, will receive the Commuted Value of your pension less any pensions received.</p> <p>If you elected, at the time you started your pension, an Annuity Purchase at the Settlement Date: Death benefits will be based on the form of pension you elect at the time of pension commencement.</p>	Your surviving spouse, if any, will receive the elected percentage of benefits payable monthly until the Settlement Date. At the Settlement Date, your surviving spouse, or beneficiary if you have no spouse, will receive the Commuted Value of your pension less any pensions received.
<b>11. What happens if I die after the Settlement Date?</b>	If you transferred your entitlement to an account at a financial institution, the account balance would be payable to your beneficiary.	As all non-retired members at the wind-up date are required to transfer their entitlement to an account at a financial institution the account balance would

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	If an annuity has been purchased, death benefits will be based on the form of pension you elect/ elected at the time of pension commencement.	be payable to your beneficiary.
<b>12. What is the Funded Status of the Plan?</b>	The updated Funded Percentage has not been finalized. The most recent estimate of the Funded Percentage for the whole plan is 75%. The actual Commuted Value payable on Settlement Date would be the Commuted Value determined based on the Plan terms multiplied by the Plan's Funded Percentage. For an Annuity Purchase, the annuity purchased would be based on your accrued benefit based on the Plan terms multiplied by the Plan's Funded Percentage.	
<b>13. When is the Settlement Date?</b>	The settlement would typically occur soon after the regulator approves the wind-up report. However, it is difficult to accurately anticipate when this will be for a number of reasons, including outstanding CCAA claims and the multi-jurisdictional nature of the Plan. We will discuss this further at the July meetings.	
<b>14. When will I receive my defined contribution (DC) entitlement (the portion administered by Sun Life Financial)?</b>	<p>Around the same time as the defined benefit entitlement Settlement Date.</p> <p>If you elect to start your pension from the defined benefit provision prior to the Settlement Date, you will be eligible to transfer DC balance at the time you start your pension.</p>	

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# **Contributory Pension Plan for Salaried Employees of Wabush Mines, Cliffs Mining Company, Managing Agent, Arnaud Railway Company, and Wabush Railway Company, Limited (the “Plan”)**

## **Document for Retired Members and Survivors as at the wind-up date (December 16, 2015)**

If you were **not** in receipt of a pension as of the wind-up date, this document does not apply. Please refer to the Document for Non-Retired Members.

### **Definitions**

**Annuity Purchase** occurs when money is transferred to an insurance company from, in this case, a pension plan and the insurance company takes over responsibility for making all future monthly payments to the individual and beneficiary/spouse for whom the annuity was purchased on the same terms and conditions as the pension plan provided.

**Assuris** is the not for profit organization that protects Canadians if their life insurance company should fail. If a life insurance company paying a monthly annuity fails, your monthly annuity promise will be transferred to a solvent company. Assuris guarantees that you will retain up to \$2,000 per month of your benefit entitlement or 85% of the promised monthly benefit, whichever is higher.

**Funded Status/Funded Percentage** means the percentage of the Plan’s promised benefits that the Plan can settle based on the amount of assets available to the Plan.

**Settlement Date** means the date that your Annuity Purchase is made on your behalf from an insurance company or companies, or transferred to Retraite Quebec (Quebec regulated members only).

	Jurisdiction	
	Newfoundland and Labrador	Quebec
<b>1. Which jurisdiction am I in?</b>  <b>(Please refer to the data confirmation statement that will be sent in the near future for your jurisdiction)</b>	Generally, an employee who worked in Newfoundland and Labrador.	Generally, an employee who worked in Quebec.
<b>2. What is the Funded Status of the Plan?</b>	The updated Funded Percentage has not been finalized. The most recent estimate of the Funded Percentage for the whole plan is 75%.	
<b>3. When will the Funded Status of the Plan be finalized?</b>	The Funded Status of the Plan will be refined when the wind-up valuations are complete (expected to be in Summer 2016). However, the final Funded Status will not be known until the Settlement Date.	
<b>4. How will the final Funded Status of the Plan impact my monthly pension payments?</b>	<p>On settlement, your monthly pension benefits will be adjusted to the final Funded Percentage of the Plan.</p> <p>A further adjustment will be required for payments made after the wind-up date (December 16, 2015) that were paid at a different percentage (75%) than the final Funded Percentage.</p>	
<b>5. How will my benefits be settled?</b>	<p>Your benefits will be settled by an Annuity Purchase from an insurance company. If your adjusted monthly pension benefit exceeds \$2,000, your annuity will be purchased from two insurance companies in order to provide full Assuris protection.</p> <p>Any survivor death benefits will also be purchased from the insurance company(ies)</p>	<p>You will have the option of either:</p> <ul style="list-style-type: none"> <li>a) having your benefits settled by an Annuity Purchase from an insurance company. If your adjusted monthly pension benefit exceeds \$2,000, your annuity will be purchased from two insurance companies in order to provide full Assuris protection; or</li> <li>b) having the Retraite Quebec administer your pension (both the assets and obligations associated with your pension entitlement will be transferred to Retraite Quebec)</li> </ul> <p>Any survivor death benefits will also be purchased from the insurance company(ies) or transferred to Retraite Quebec for administration.</p>
<b>6. When is the Settlement Date?</b>	The settlement would typically occur soon after the regulator approves the wind-up report. However, it is difficult to accurately anticipate when this will be for a number of reasons, including outstanding CCAA claims and the multi-jurisdictional nature of the Plan. We will discuss this further at the July meetings.	
<b>7. Are my monthly pension payments subject to change after settlement?</b>	No, the insurance companies guarantee the purchased annuity (based on the same terms and conditions as the Plan) and will not make any future changes to the amount of benefits purchased.	If you have an annuity purchased from one or more insurance companies, the insurance companies guarantee the purchased annuity (based on the same terms and conditions as the Plan) and will not make any future changes to the amount of benefits

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	Newfoundland and Labrador	Quebec
		<p>purchased.</p> <p>If you transfer your entitlement to Retraite Quebec, the Retraite Quebec does not guarantee your future pension payments and future reductions are possible.</p>
<b>8. What happens if I die prior to the Settlement Date?</b>	<p>If you die prior to the Settlement Date, any survivor protection elected at retirement remains in place and your surviving spouse would receive the elected dollar amount of benefits (multiplied by the Funded Status of the Plan – currently 75%) payable monthly for the remainder of his or her lifetime. On settlement an annuity would be purchased for your surviving spouse.</p>	<p>If you die prior to the Settlement Date, any survivor protection elected at retirement remains in place and your surviving spouse would receive the elected dollar amount of benefits (multiplied by the Funded Status of the Plan – currently 75%) payable monthly for the remainder of his or her lifetime. On settlement your surviving spouse would have the option of an annuity purchase or a transfer to Retraite Quebec.</p>
<b>9. What happens if I die after the Settlement Date?</b>	<p>If you die after the Settlement Date, any survivor protection elected at retirement remains in place and your surviving spouse would receive the elected dollar amount of benefits (adjusted for the final Funded Status of the Plan) payable monthly for the remainder of his or her lifetime.</p>	

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