

November 2018

**Re: Pension Plan for Bargaining Unit Employees of Wabush Mines, Cliffs Mining Company, Managing Agent, Arnaud Railway Company, and Wabush Lake Railway Company, Limited (the “Plan”)  
(Office of the Superintendent of Financial Institutions Canada Registration #57777)  
(Newfoundland and Labrador Superintendent of Pensions Registration #024699)**

Dear Plan Member/Former Member:

As communicated in July 2018, the Plan received \$18 million from the estates of Wabush Iron Co. Limited, Wabush Resources Inc. and certain of their affiliates, including Wabush Mines, Arnaud Railway Company and Wabush Lake Railway Company Limited, following a successful vote by the various creditors under the Companies’ Creditors Arrangement Act (“CCAA”). The CCAA monies were paid to the Plan at the end of August 2018 and invested in accordance with the Plan’s specific fixed income investment strategy.

We have been working toward a settlement in the fall of 2018, however based on the reasons outlined below, **the distribution of pension benefits will not be completed this fall. Rather we anticipate it will occur during the first quarter of 2019. Please refer to the Frequently Asked Questions section below for more information on the settlement timing.**

### **Background**

The Plan “liabilities”, or the total cost to settle the benefit promise to all Plan members, is the sum of all members’ annuity purchase costs or commuted value transfers. The funded ratio (“FR”) of the Plan is calculated by dividing the Plan assets by the Plan liabilities. The commuted values increase based on the applicable interest rate until the time of payment, however the annuity purchase cost is always changing based on conditions in the Canadian annuity market. In general, better annuity pricing will lead to a higher funded ratio and higher lump sum transfers (FR x commuted value) and final monthly pensions.

### **Annuity Market**

In September, we asked insurance companies licensed to sell group annuities in Canada to submit competitive quotes on the price of annuities for the Plan. The annuity quotes were submitted for our review in mid-October. Based on our review we found that the annuity prices quoted were higher than we had expected them to be. In follow up discussions with the insurers, we confirmed that the annuity market is already very active with several other large annuity bids. The higher volume of annuity bids means that insurance companies may not be able to provide their best possible pricing for the Wabush annuities. Also, one of the main insurance companies declined to submit a quotation.

Postponing the annuity purchase until the first quarter of 2019 should provide better annuity pricing as we expect that there will be fewer pension plans competing with us. We would also hope that more of the insurers would be prepared to bid on the Wabush annuities at that time.

### **Deferred Plan Members**

There are a high number of members who did not submit an election form and were therefore deemed to elect the deferred annuity option. The cost of deferred annuities is generally higher and may not reflect the needs of the individual Plan member. Pushing back the annuity purchase date allows additional time for us to be in contact with these members and obtain completed election forms from them. We expect this will result in better annuity pricing.

### **Member Communications**

The receipt of the CCAA monies requires further communications with members whose pension entitlements have changed as a result of the higher funded ratio. We have issued revised option forms and are communicating with these members to obtain their revised elections.

## **Frequently Asked Questions**

### **When will my benefits be settled?**

We will receive annuity quotes from Canadian insurance companies early in 2019. This will allow us to determine the final funded ratio of the Plan and set the lump sum transfer amounts and final pension amounts.

**If you elected the transfer of commuted value option** and we have been provided all required documentation, your lump sum transfers will be paid by the end of the first quarter in 2019. Please note that our office has contacted all members who returned incomplete election documents. If you have not received a call from our office we have all of the required documentation. If you have received a call from our office and documents are still outstanding, please provide any outstanding documentation immediately to be included in the upcoming payment.

**If you elected the annuity purchase option or are already receiving a pension from the Plan** your payments will be taken over by the insurance company or Retraite Québec within two to three months following the annuity purchase date. (Note that the dollar amount may still be subject to change either before or after the transfer to the insurance company or Retraite Québec due to change in bridge or personal status.)

### **Will my pension payments be increased before settlement?**

Subject to the above, your pension will continue to be paid based on the same % amount as your current payment until your payments are taken over by the insurance company or Retraite Québec. At that time, your monthly pension payments will be adjusted to reflect the final funded ratio, with any necessary adjustments for any underpayments or overpayment since the wind-up date (see next question).

### **What happens if I have been overpaid or underpaid?**

An adjustment will be made for pension benefits paid at a different percentage from the final funded ratio at settlement between the wind-up date (December 16, 2015) and the settlement date.

- If underpaid, you will receive a one-time additional payment with interest (less withholding taxes). If your pension is administered by Retraite Québec we anticipate the payment will be made around the same time as Retraite Québec takes over the payment of your pension. If you are part of the annuity purchase, your payment will be in the month prior to the first pension payment by the insurance company.
- If overpaid, the overpayment will be recovered over your expected future lifetime by purchasing a slightly smaller monthly pension for you.

#### **Why is my lump sum transfer delayed by the annuity purchase?**

We regret having to delay the settlement date for all Plan members, however, our primary goal for the annuity purchase is to have benefits settled in a manner that results in the highest funded ratio for the Plan and the highest possible payments to Plan members. Since all benefits must be settled at the same time, we cannot pay the lump sum transfers until the annuity purchase is completed.

### **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.

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If you have any questions, please contact our office at our toll free number 1-855-649-8648 or [WabushBargaining@morneaushepell.com](mailto:WabushBargaining@morneaushepell.com). **Please be mindful that this phone line and email account receive a very high number of calls/messages. Enquiries about the settlement timing will detract the focus of our staff from answering questions related to other matters, such as marriage breakdowns and deaths. We ask that you please allow our staff to address these urgent matters and, as such, we will not be responding to calls/emails concerning timing and/or receipt of documents. We encourage you to review our letter in detail as we hope it will speak to our heartfelt commitment to you, the Plan members, to achieve the best possible outcome from the settlement of the Plan.**

**Please advise your financial advisor of the revised timing for the settlement of benefits from the Plan, if you have elected a lump sum transfer.**

Further, copies of any communications or presentation relating to the wind-up of the Plan are available at the following website: [www.pensionwindups.morneaushepell.com](http://www.pensionwindups.morneaushepell.com). FAQ documents will be included on the website as more information becomes available.

Yours truly,

MORNEAU SHEPELL LTD.

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