

Wabush Mines Defined Benefit Plan Wind-Up

Newfoundland and Labrador Retired Member Information
Session

Paul Chang and Jessica Vandorpe

May 15, 2018



Business. Needs. People.

Audience

- Retired **Newfoundland and Labrador** members of the:
 - Contributory Pension Plan for Salaried Employees of Wabush Mines, Cliffs Mining Company, Managing Agent, Arnaud Railway Company and Wabush Lake Railway Company, Limited (“Salaried Plan”) **OR**
 - Pension Plan for Bargaining Unit Employees of Wabush Mines, Cliffs Mining Company, Managing Agent, Arnaud Railway Company and Wabush Lake Railway Company, Limited (“Bargaining Plan”)
 - Already receiving a pension as of December 16, 2015 or started their pension after December 16, 2015 and elected an annuity purchase
- Family members and financial representatives

Separate meetings for non-retired members

Agenda

- Background
- Settlement – Annuity Purchase
- Funded Position
- Other Issues

We have made best efforts to be accurate and this presentation is based on the best available information. As this information is updated, the final situation may vary from what is presented. In the event of any discrepancies with the Plan text or law, the Plan text or law shall prevail.



Background

Background – Wind-up

- Company filed for creditor protection (CCAA) in May 2015
- Pension Plan wind-up declared on December 16, 2015
- Wind-up is the process of ensuring that pensions in pay continue to be paid at the level supported by the plan assets and that entitlements of all members are settled
 - When assets are transferred and all obligations are settled the plan ceases to exist
- Morneau Shepell was chosen by the NFLD regulator as the replacement Plan Administrator on March 30, 2016

Background – Wind-Up Almost Complete

- Notice and FAQ sent to members in June of 2016; member meetings in July of 2016
- Data Confirmation Statement sent to all members in November 2016
- Implemented new investment strategy to reduces likelihood of changes in the wind-up shortfall (the deficit)
- Preliminary wind-up reports filed December 2016
- Final wind-up reports filed December 2017 – approved in March 2018

Background – Wind-Up Almost Complete

- Letters sent to all retired members under Newfoundland and Labrador jurisdiction in April 2018 (no election required)
 - Requested information, if any, to be returned by June 5, 2018
- Election Packages sent to all non-retired members and retired members under Quebec jurisdiction in April 2018
- If recovery under CCAA anticipated to take some time, settlement planned to occur in July 2018 with CCAA monies distributed at a later date
- If recovery under CCAA anticipated to occur soon, settlement may be delayed by a few months



Settlement – Annuity Purchase

Settlement – Annuity Purchase

- Retired members who fall under Newfoundland and Labrador or federal jurisdiction do not need to make a settlement election
- An annuity will be purchased from an insurance company
 - The pension plan transfers a lump sum to the insurance company and the insurance company takes over all future pension / bridge payments
- No direct cost to retirees
- No disruption to monthly pension during process
- Monthly pensions paid through annuity continue to be taxable as income and eligible for income splitting

Annuity Purchase Based on Competitive Quotes

- Quotes will be requested from major Canadian insurance companies
- The insurance company is selected based on competitive bids and taking into consideration the stability of the organization and the services available
- Once selected, Morneau Shepell will send you a letter to confirm the insurance company and summarize the benefits purchased
- Insurance company will also send you a welcome package

Annuity Purchase Based on Same Terms and Conditions as Plan Pension

- Same terms and conditions as you elected at the time of retirement, adjusted for the funded percentage
- Form of pension (survivor benefits)
 - Lifetime pension
 - Pension payable for retired member's lifetime
 - Joint and Survivor (J&S)
 - Pension payable for retired member's lifetime, plus
 - After death, specified % of monthly pension continues to surviving spouse (designated at retirement) for spouse's lifetime
 - Provided in November 2016 data confirmation statement
 - Will be communicated again after annuity purchase

Annuity Purchase and Adjustment

- Amount purchased will be based on funded percentage at time of settlement
- An adjustment will be made for benefits paid at a different percentage between the wind-up date (December 16, 2015) and settlement date
 - If underpaid, will receive one-time additional payment
 - If overpaid, will be recovered over expected future lifetime
 - Once purchased, the amount of pension is guaranteed and will not fluctuate (other than due to receipt of additional funds or due to death)

Annuity Purchase Funded % Impacts Both Member and Surviving Spouse

	Member Lifetime	Spouse (60% Continuation)
If Plan Fully funded	\$1,000	\$600
Example of Plan 85% funded	\$850 (85% x 1,000)	\$510 (85% x 600 or 60% of \$850)
Example of Plan 75% Funded	\$750 (75% x \$1,000)	\$450 (75% x \$600 or 60% of \$750)

Annuity is Insured

- 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
 - If your pension is purchased with more than one insurer, you will deal only with the main insurer who will coordinate on your behalf with the other insurers



Funded Position

Funded Position – Salaried Plan

Wind-Up Funded Position (millions)		
	Dec 16, 2015	Dec 31, 2017 (Approx.)
Assets	\$82	\$78
Liabilities	<u>109</u>	<u>103</u>
Surplus / (Shortfall)	\$(27)	\$(25)
Funded Percentage	75%	76%

- Figures shown are before any recovery under CCAA
- Separate accounting for Newfoundland and Labrador, federal, Quebec retired members, and Quebec non-retired members
 - Final funded percentage may differ slightly for each account

Funded Position – Bargaining Plan

Wind-Up Funded Position (millions)		
	Dec 16, 2015	Dec 31, 2017 (Approx.)
Assets	\$131	\$119
Liabilities	<u>159</u>	<u>147</u>
Surplus / (Shortfall)	\$(28)	\$(28)
Funded Percentage	82%	81%

- Figures shown are before any recovery under CCAA
- Separate accounting for Newfoundland and Labrador, federal, Quebec retired members, and Quebec non-retired members
 - Final funded percentage may differ slightly for each account

Funded Position – Final

- The final funded percentage at the time of benefit settlement will depend primarily on:
 - Recovery from CCAA
 - Cost to purchase annuities from an insurance company to settle benefits
 - Investment return on assets
 - Membership experience
 - Non-retired member's pension entitlement elections (lump sum transfer versus annuity purchase)



Other Issues

Other Issues - CCAA

- CCAA court proceedings will result in liquidation of employer remaining assets
- Pension plan deficit is claimed as outstanding employer debt under CCAA proceedings
 - Final windup reports showed actual deficit of \$27.3 Million for Salaried Plan and \$28.7 Million for Bargaining Plan as of December 16, 2015
- Ongoing discussions to resolve the CCAA claim and legal questions/proceedings both in court and outside of court
- Any funds received from the CCAA proceedings will be distributed to plan members (in the same manner as original distribution)



Business. Needs. People.

Thank you!

1-855-465-5266 (toll free)

WabushSalaried@morneaushepell.com

1-855-649-8648 (toll free)

WabushBargaining@morneaushepell.com

General information is available at:

www.pensionwindups.morneaushepell.com