

Pension Settlement Information Session

Manitoba Telecom Services Inc. and Participating
Subsidiaries Employee Pension Plan

Presenters

- ▶ Ari Kaplan, *LLB, LLM*
 - Partner in the Pension and Benefits Group at the law firm of **Koskie Minsky**
 - Hired jointly by all parties to help negotiate the implementation process and provide an opinion on fairness
 - Author of Canada's leading textbook on pension law
 - Acted as counsel on some of Canada's most widely-known pension cases
- ▶ Dan Morrison, *FSA, FCIA, CFA*
 - Senior Retirement Consultant at the Pension and Benefits Consulting firm of **Towers Watson**
 - 30 years experience as a pension actuary
 - Has served as the MTS Pension Plan Actuary since 2003

Background

- ▶ Initial lawsuit filed in 1999
- ▶ Lawsuit concerned \$43.3M of surplus funds transferred to the Pension Plan at the time of privatization of MTS in 1997
- ▶ Supreme Court of Canada on January 30, 2014 upheld the trial court ruling requiring enhanced benefits to be provided by the Pension Plan in the amount of \$43.3 million plus the Pension Plan rate of return and requiring the Company to negotiate an implementation plan with the parties
- ▶ As of June 30, 2014, the distributable surplus had grown to \$140.0M

Process

- ▶ The Supreme Court of Canada ruling required the Company to negotiate an implementation plan with the Unions and Retirees to determine what benefits would be provided and to whom
- ▶ A court hearing to ask the Court to approve the distribution plan is scheduled for **November 3, 2014**
- ▶ The distribution plan is subject to Court approval
- ▶ The distribution plan is also subject to regulatory approval

No person is legally entitled to any payment of surplus until all approvals have been obtained and any appeals are exhausted.

Who decided how to distribute the surplus?

Negotiations between:

- MTS
- TEAM
- TRAM
- Unifor
- IBEW
- Along with their legal and actuarial advisors



With the help of:

- Ari Kaplan, as an independent legal consultant for the groups
- Towers Watson, the Pension Plan's actuarial firm



Negotiated Settlement Agreement



Who is eligible to share in the surplus?

Category of Membership	August 31, 2014	Estimated % of \$ Distribution
Current employees	2,472	20%
Retirees and beneficiaries in receipt of a pension	2,941	59%
Deferred members	582	2%
Exited members:		
Deceased (payable to beneficiary or estate)	753	6%
Cashed-Out members	2,041	13%
Non-Vested members	583	<1%
TOTAL	9,372	100%

How much is available for distribution?

- ▶ \$140.0M as of June 30, 2014 – agreed to by parties
- ▶ Interest will be added at a rate of 2% per year until the court approval is obtained
- ▶ Reduced by costs incurred to implement settlement (estimated to be \$3.1M)
- ▶ Subject to court approval, an additional \$2.0M “success fee” payable to the law firm of D’Arcy & Deacon LLP

D'Arcy & Deacon “Success Fee”

- ▶ Won the trial and Supreme Court of Canada appeal on behalf of Plan Members
- ▶ Agreed to cap fees with a provision that a special bonus fee be requested if successful
- ▶ If approved, additional \$2.0M will reduce the distributions on a pro-rata basis for all Members except unionized employees as of January 1, 2014 (subject to the minimum distribution of \$1,000) and non-vested members
- ▶ D&D will also receive \$700,000 paid directly from the unions and MTS
 - The \$700,000 will not reduce the distributions contemplated under the settlement

How was your surplus distribution determined?

- ▶ Pro-rata share of surplus based on the value of your benefits earned in the Pension Plan compared to the total of everyone else's earned benefit value
- ▶ Your value depends on a number of factors:
 - Age
 - Number of years of credited service
 - Annual earnings
- ▶ And, if you are retired member or a beneficiary in receipt of a monthly pension:
 - Date of retirement
 - Current pension in payment
 - Past pension payments received to date

What are my options for receiving my distribution amount?

Category of Membership	
Retirees and beneficiaries	A choice of either: 1)* A lump sum payment from the Plan, <i><u>OR</u></i> 2) If retired before July 1, 2013, an increase in the monthly pension being paid plus a reduced lump sum payment
Deferred plan members	A lump sum payment made from the Plan
Exited members	A lump sum payment made from the Plan

* If Retirees and/or beneficiaries do not make their election by October 27, 2014, they will receive the “default” option of a lump sum payment.

Additional Information

- ▶ **Unlocated members**
 - Reasonable efforts will be taken to locate all members who are eligible to receive a distribution amount
 - The Pension Plan will retain surplus benefits for Exited Members for a period of two (2) years following substantial distribution after which time Exited Members rights to any surplus distribution will be extinguished.
 - Forfeited amounts will be re-distributed as agreed to by the parties in a fair and equitable manner
- ▶ **Minimum payment**
 - \$1,000 for each member or former member who was not non-vested member
- ▶ **Non-vested members**
 - Each non-vested member is eligible to receive a maximum allocation of \$500 (total pool of \$200,000)
 - Must self-identify by January 2, 2015
- ▶ **All lump-sum payments are subject to withholding taxes**
 - Lump-sum payments will be included on a T4A from the Plan

Funding

Current employees will receive approximately...

\$28 million*

Funded directly by MTS

The Pension Plan will distribute the remaining surplus to all other affected members...

\$112 million*

Funded by MTS into the Pension Plan in accordance with applicable pension legislation

For a total distribution of...

\$140 million*

* Less court-approved expenses where applicable.

NOTE:

These are approximate figures for illustration purposes only. The actual total distribution and allocations between the groups will depend on approved expenses, court & regulatory approvals, final calculations determined by the Plan's Actuary, and the timing of the settlement.

Next Steps

- ▶ Review your personal statement. If you have any questions please call 1-844-380-2474 or email pensionsettlementquestions@mtsallstream.com
- ▶ Review the Report for more information about the distribution including if you want to express any views about the settlement.
- ▶ Speak to your financial and/or legal advisor if you need advice
- ▶ Complete and sign the Declaration page of your *Statement of Estimated Benefits* and return it in the self-addressed, stamped, envelope included in your package
 - Deferred Members and Exited members will not receive a payment unless the Declaration page is returned
- ▶ If you have an election to make, you must indicate your election on the Declaration page and return it by **October 27, 2014**
- ▶ Visit www.mtspensionplan.ca for up-to-date information about the settlement

Questions / Feedback

Questions

Phone

• 1-844-380-2474

Questions

Email

• pensionsettlementquestions@mtsallstream.com

Feedback

Email

• pensionsettlementfeedback@mtsallstream.com

Your feedback (uncensored) will be provided directly to the Trial Judge prior to obtaining any approval.