

# 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%
<b>TOTAL</b>	<b>9,372</b>	<b>100%</b>

# 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, <u>OR</u> 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](mailto: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](http://www.mtspensionplan.ca) for up-to-date information about the settlement

# Questions / Feedback

Questions

Phone

• 1-844-380-2474

Questions

Email

• [pensionsettlementquestions@mtsallstream.com](mailto:pensionsettlementquestions@mtsallstream.com)

Feedback

Email

• [pensionsettlementfeedback@mtsallstream.com](mailto:pensionsettlementfeedback@mtsallstream.com)

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