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## Nortel pensioners face decision on payment options



Jennifer Paterson | February 18, 2016

After a six-year legal battle, it's finally time for the former employees of the bankrupt technology firm Nortel Networks to learn what to do with their pension payments.

In May 2015, when [a court decided the fate of the remaining Nortel assets](#), it also signalled a light at the end of the tunnel for Canadian pensioners who have seen their benefits reduced since the company filed for bankruptcy in 2009.

### Read: Nortel moves to retrieve retirement savings

Beginning in November 2015, option letters were sent out to about 7,000 former employees in Nortel's negotiated pension plan (unionized employees). Members of the non-negotiated, or managerial, plan (salaried employees) should receive their letters by June 2016, says Barbara Walancik, an associate at Koskie Minsky, which represents former and retired Nortel employees in Canada.

"The reason the negotiated plan has gone first is because it's smaller and has less data issues," she says. "Nortel was primarily a company that had a lot of engineers, so most people were in the managerial plan. Its wind-up report was filed [in November], while the [negotiated] plan's wind-up report was filed in Jan. 2015."

### Read: Retirees welcome close of Nortel bankruptcy trial

The law firm, along with the plans' administrator Morneau Shepell, hosted a series of roadshows and a webinar in December for the negotiated plan members to learn about their options. Initially, they had until the end of February to make a decision, but after some issues with address changes, that deadline has been extended to mid-April.

"One of our professionals created a guide to making your choice, which includes the important issues to consider, whether it's deciding to take an annuity or to transfer to a locked-in retirement account [LIRA]," says Walancik.

Negotiated plan members based in Ontario or Quebec can choose between an annuity with a life insurance company or a prescribed retirement savings account, such as a LIRA or a life income fund (LIF). Members of the managerial plan, as well as those who were already retired from Nortel in 2011, have just one option: to purchase a life insurance annuity.

"For the people who are eligible, the difference between planning with a life insurance annuity and choosing to become a little bit more active and using a locked-in retirement account or a life income fund is where it gets a bit fuzzy," says Carol Bezaire, vice president, tax and estate planning for

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Since a life insurance annuity is a contract, it ends when a pensioner passes away. If the pensioner has a spouse, they would get a 60% survivor pension. But after the spouse's death, there's nothing for the estate.

"If you're still relatively young, then the insurance company is going to pay you based on its guarantee, even if the market slides, or the inflation rate goes up," says Bezaire. "It will still be the same amount; if you get \$1,200 a month, you're still going to get \$1,200 a month until your contract ends, which means when you die or your survivor dies. But if you die 10 years into getting your annuity payments, and there's no spouse, for example, the life insurance company will keep the rest of it."

A pensioner who chooses a prescribed retirement savings account, such as a LIRA or a LIF, has the opportunity to take control of the assets within it rather than giving responsibility to an insurance company, adds Bezaire.

"It's a little bit more active management that may help you recoup some of the loss on your pension that you had because it was an unfunded pension plan," she says. "For Nortel pensioners, just check the facts and do talk to a financial advisor to get the right choice for yourself when all these letters come out."

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The next steps, at least for the negotiated plan members who currently have their letters, include a follow-up from the administrator and then the options chosen will be exercised. "That will be happening throughout late spring/summer," says Walancik. "It really depends, but they do want to get it done as quickly as possible."

By mid-2016, it's expected that the managerial plan members will go through the same process: receiving letters, attending roadshows and a webinar, and then it will go to annuity purchases.

"The difficulty is that everyone has their own financial needs," says Walancik. "Some people are sick, some people are going to live to be 110, so we definitely tried not to provide advice. We encouraged people to see their financial advisors, but also gave them the pros and cons as much as possible without actually telling them what to do."

"Anytime there is a pension that winds up – and this one was a tough one – it's nice to be able to look at it objectively and have a choice of what you want to do with it," adds Bezaire.

**Read: [Why Canada's pension funding regime needs an overhaul](#)**

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