

TABLE 1: Nortel Pension Benefit

	Worst Without OPBGF	Best Without OPBGF	Worst With OPBGF	Best With OPBGF
Pension Income All Sources and Health Benefits Before	\$38,204	\$38,204	\$38,204	\$38,204
Health Benefits Nortel Before	\$2,000	\$2,000	\$2,000	\$2,000
Pension Income All Sources Before	\$36,204	\$36,204	\$36,204	\$36,204
Old Age Security Income	\$6,204	\$6,204	\$6,204	\$6,204
Guaranteed Income Supplement	\$0	\$0	\$0	\$0
CPP Pension First Payer	\$10,905	\$10,905	\$10,905	\$10,905
Pension Income Nortel Before	\$19,095	\$19,095	\$19,095	\$19,095
Working Income	\$50,000	\$50,000	\$50,000	\$50,000
% Working Pension Income	60%	60%	60%	60%
Working Pension Income	\$30,000	\$30,000	\$30,000	\$30,000
Pension Fund Funding Before Cash Settlement	69%	69%	69%	69%
Cash Settlement Ratio	15%	45%	15%	45%
Pension Fund Funding After Cash Settlement	74%	83%	74%	83%
Ontario Pension Benefit Guarantee Fund Pays			\$3,162	\$2,046
% Unfunded Nortel Pension Fund After Cash Settlement	-26%	-17%	-10%	-6%
% Pension Income Nortel Reduction After Annuities Purchase	-36%	-27%	-20%	-16%
% Health Benefits Nortel Reduction	-100%	-100%	-100%	-100%
% Pension Income and Health Benefits Nortel Reduction (Rounded to 5%)	-40%	-35%	-25%	-25%
Pension Income All Sources and Health Benefits After	\$29,262	\$31,038	\$32,424	\$33,084
Health Benefits Nortel After	\$0	\$0	\$0	\$0
Pension Income All Sources After	\$29,262	\$31,038	\$32,424	\$33,084
Old Age Security	\$6,204	\$6,204	\$6,204	\$6,204
Guaranteed Income Supplement	\$0	\$0	\$0	\$0
CPP First Payer	\$10,905	\$10,905	\$10,905	\$10,905
Pension Income Nortel After	\$12,154	\$13,930	\$15,316	\$15,976
% Reduction Pension Income All Sources and Health Benefits After (Rounded to 5%)	-25%	-20%	-15%	-15%

Source: Diane A. Urquhart

TABLE 2: Nortel Long Term Disabled Benefit

	Employer Paid to 50%		Employee Optional Added to 70%	
	Worst	Best	Worst	Best
LTD Income All Sources and Health Benefits Before	\$37,000	\$37,000	\$47,000	\$47,000
Health Benefits Nortel Before	\$12,000	\$12,000	\$12,000	\$12,000
LTD Income All Sources Before	\$25,000	\$25,000	\$35,000	\$35,000
CPP Disability First payer	\$13,272	\$13,272	\$13,272	\$13,272
LTD Income Nortel	\$11,728	\$11,728	\$21,728	\$21,728
Working Income	\$50,000	\$50,000	\$50,000	\$50,000
% LTD benefit	50%	50%	70%	70%
LTD Income All Sources	\$25,000	\$25,000	\$35,000	\$35,000
Health & Welfare Funding Before Cash Settlement	10%	20%	10%	20%
Cash Settlement Ratio	15%	45%	15%	45%
Health & Welfare Funding After Cash Settlement	24%	56%	24%	56%
% Unfunded Nortel LTD Plan After Cash Settlement	-77%	-44%	-77%	-44%
% LTD Income Nortel Reduction After Annuities Purchase	-87%	-54%	-87%	-54%
% Health Benefits Nortel Reduction	-85%	-55%	-85%	-55%
% LTD Income and Health Benefits Nortel Reduction (Rounded to 5%)	-85%	-55%	-85%	-55%
LTD Income All Sources and Health Benefits After	\$16,655	\$24,067	\$18,005	\$28,667
Health Benefits Nortel After	\$1,800	\$5,400	\$1,800	\$5,400
LTD Income All Sources	\$14,855	\$18,667	\$16,205	\$23,267
CPP Disability First Payer	\$13,272	\$13,272	\$13,272	\$13,272
LTD Income Nortel	\$1,583	\$5,395	\$2,933	\$9,995
% Reduction LTD Income All Sources and Health Benefits After (Rounded to 5%)	-55%	-35%	-60%	-40%

Source: Diane A. Urquhart

TABLE 3: Nortel Survivor Pension Benefit

	Worst Without OPBGF	Best Without OPBGF	Worst With OPBGF	Best With OPBGF
Survivor Pension Income All Sources and Health Benefits Before	\$26,204	\$26,204	\$26,204	\$26,204
Health Benefits Nortel Before	\$2,000	\$2,000	\$2,000	\$2,000
Survivor Pension Income All Sources Before	\$24,204	\$24,204	\$24,204	\$24,204
Old Age Security Income	\$6,204	\$6,204	\$6,204	\$6,204
Guaranteed Income Supplement	\$0	\$0	\$0	\$0
CPP Pension First payer (60% of Working Spouse for Survivor 65 or Over)	\$6,543	\$6,543	\$6,543	\$6,543
Survivor Pension Income Nortel Before	\$11,457	\$11,457	\$11,457	\$11,457
Working Income	\$50,000	\$50,000	\$50,000	\$50,000
% Working Pension Income (60% of Working Spouse)	36%	36%	36%	36%
Survivor Working Pension Income	\$18,000	\$18,000	\$18,000	\$18,000
Pension Fund Funding Before Cash Settlement	69%	69%	69%	69%
Cash Settlement Ratio	15%	45%	15%	45%
Pension Fund Funding After Cash Settlement	74%	83%	74%	83%
Ontario Pension Benefit Guarantee Fund Pays			\$3,019	\$1,953
% Unfunded Nortel Pension Fund After Cash Settlement	-26%	-17%	0%	0%
% Pension Income Nortel Reduction After Annuities Purchase	-36%	-27%	-10%	-10%
% Health Benefits Nortel Reduction	-100%	-100%	-100%	-100%
% Pension Income and Health Benefits Nortel Reduction (Rounded to 5%)	-45%	-40%	-25%	-25%
Survivor Pension Income All Sources and Health Benefits After	\$20,963	\$21,496	\$23,058	\$23,058
Health Benefits Nortel After	\$0	\$0	\$0	\$0
Survivor Pension Income All Sources After	\$20,963	\$21,496	\$23,058	\$23,058
Old Age Security Income	\$6,204	\$6,204	\$6,204	\$6,204
Guaranteed Income Supplement	\$924	\$392	\$0	\$0
CPP First payer	\$6,543	\$6,543	\$6,543	\$6,543
Survivor Pension Income Nortel After	\$7,292	\$8,358	\$10,311	\$10,311
% Reduction Pension Income All Sources and Health Benefits After (Rounded to 5%)	-20%	-20%	-10%	-10%

Source: Diane A. Urquhart

TABLE 4: Nortel Severance Benefit

	Worst	Best
Severance Income All Sources and Health Benefits Before	\$58,692	\$58,692
Health Benefits Nortel Before	\$1,000	\$1,000
Income All Sources Before	\$57,692	\$57,692
Employment Insurance	\$0	\$0
Severance Income Nortel	\$57,692	\$57,692
Working Income	\$50,000	\$50,000
Severance Benefit @ 3 Weeks per Year X 20 Years	115%	115%
Severance Income	\$57,692	\$57,692
Cash Settlement Ratio	15%	45%
% Unfunded Nortel LTD Plan After Cash Settlement	-85%	-55%
% Health Benefits Nortel Reduction	-100%	-85%
% Severance Income and Health Benefits Nortel Reduction	-85%	-56%
% LTD Income and Health Benefits Nortel Reduction (Rounded to 5%)	-85%	-55%
Severance Income All Sources and Health Benefits After	\$22,350	\$25,962
Health Benefits Nortel After	\$0	\$0
Severance Income All Sources	\$22,350	\$25,962
Employment Insurance	\$13,696	\$0
Income Nortel	\$8,654	\$25,962
% Reduction Severance Income All Sources and Health Benefits After (Rounded to 5%)	-60%	-55%

Source: Diane A. Urquhart

TABLE 5: Impact of Nortel Bankruptcy on Governments and Employees on a Per Person Basis
Worst Case @ 15% Nortel Canada Estate Cash Settlement Ratio

	Pension	Survivor Pension Assumed @ 20%	Active & Deferred	Long Term Disabled	Severance	Total
\$ Per Person	Per Person Per Year	Per Person Per Year	Per Person Per Year	Per Person Per Year	Per Person One Year \$75T @3 Wks X 20 Yrs	Per Person Average
Type of Government Programs Affected	Age Allowance Medical Expenses	GIS Medical Expenses		Drug Assistance Medical Expenses	Employment Insurance Medical Expenses	
Government Program Incremental Costs		-\$924		-\$10,106	-\$9,369	-\$884
Government Taxes Lost	-\$973	-\$434	-\$1,376	-\$1,672	-\$17,900	-\$2,076
Government Impact Programs and Taxes Lost	-\$973	-\$1,358	-\$1,376	-\$11,778	-\$27,269	-\$2,960
Employee Lost After Tax Income	-\$5,968	-\$2,807	-\$6,729	-\$12,798	-\$46,289	-\$8,312
Employee Lost After Tax Health Benefits (Non Taxable Grossed-Up)	-\$1,948	-\$2,032	\$0	\$0	-\$917	-\$1,152
Combined Government & Employee Loss	-\$8,889	-\$6,196	-\$8,105	-\$24,576	-\$74,475	-\$12,423
\$ Per Person	Per Person Present Value	Per Person Present Value	Per Person Present Value	Per Person Present Value	Per Person Present Value	Per Person
Present Value Factor	10.70	10.70	6.76	14.72	1.00	
Government Program Incremental Costs	\$0	-\$9,887	\$0	-\$148,779	-\$9,369	-\$4,607
Government Taxes Lost	-\$10,404	-\$4,636	-\$9,304	-\$24,617	-\$17,900	-\$9,780
Government Impact Programs and Taxes Lost	-\$10,404	-\$14,523	-\$9,304	-\$173,396	-\$27,269	-\$14,386
Employee Lost After Tax Income	-\$63,831	-\$30,018	-\$45,507	-\$188,402	-\$46,289	-\$52,763
Employee Lost After Tax Health Benefits (Grossed-Up)	-\$20,830	-\$21,731	\$0	\$0	-\$917	-\$11,777
Combined Government & Employee Loss	-\$95,066	-\$66,272	-\$54,811	-\$361,797	-\$74,475	-\$78,926
Per Person Income Before and After-Tax						
Income Before Pre-Tax	\$36,204	\$24,204	\$39,405	\$30,000	\$86,538	
Income After Pre-Tax	\$29,262	\$20,963	\$31,300	\$15,530	\$22,350	
Tax Rate Before	11.22%	11.05%	12.27%	11.28%	24.66%	
Tax Rate After	10.55%	10.70%	11.05%	11.03%	15.01%	
Taxes Before	\$4,061	\$2,676	\$4,836	\$3,385	\$21,340	
Taxes After	\$3,088	\$2,242	\$3,460	\$1,713	\$3,440	
Income Before After-Tax	\$32,143	\$21,528	\$34,569	\$26,615	\$65,199	
Income After After-Tax	\$26,174	\$18,721	\$27,840	\$13,817	\$18,910	

Source: Diane A. Urquhart

TABLE 6: Impact of Nortel Bankruptcy on Governments and Employees in Aggregate
Worst Case @ 15% Nortel Canada Estate Cash Settlement Ratio

	Pension	Survivor Pension Assumed @ 20%	Active & Deferred	Long Term Disabled	Severance	Total
Number of Persons	9,810	3,905	9,049	410	1,500	24,674
\$ Millions in Aggregate	Aggregate Per Year	Aggregate Per Year	Aggregate Per Year	Aggregate Per Year	Aggregate One Year	Aggregate Per Year
Type of Government Programs Affected	Age Allowance Medical Expenses	GIS Medical Expenses		Drug Assistance Medical Expenses	Employment Insurance Medical Expenses	
Government Program Incremental Costs	\$0	-\$4	\$0	-\$4	-\$14	-\$22
Government Taxes Lost	-\$10	-\$2	-\$12	-\$1	-\$27	-\$51
Government Impact Programs and Taxes Lost	-\$10	-\$5	-\$12	-\$5	-\$41	-\$73
Employee Lost After Tax Income	-\$59	-\$11	-\$61	-\$5	-\$69	-\$205
Employee Lost After Tax Health Benefits (Non Taxable Grossed-Up)	-\$19	-\$8	\$0	\$0	-\$1	-\$28
Combined Government & Employee Loss	-\$87	-\$24	-\$73	-\$10	-\$112	-\$307
\$ Millions in Aggregate	Aggregate Present Value	Aggregate Present Value	Aggregate Present Value	Aggregate Present Value	Aggregate Present Value	Aggregate Present Value
Present Value Factor	10.70	10.70	6.76	14.72	1.00	
Government Program Incremental Costs	\$0	-\$39	\$0	-\$61	-\$14	-\$114
Government Taxes Lost	-\$102	-\$18	-\$84	-\$10	-\$27	-\$241
Government Impact Programs and Taxes Lost	-\$102	-\$57	-\$84	-\$71	-\$41	-\$355
Employee Lost After Tax Income	-\$626	-\$117	-\$412	-\$77	-\$69	-\$1,302
Employee Lost After Tax Health Benefits (Non Taxable Grossed-Up)	-\$204	-\$85	\$0	\$0	-\$1	-\$291
Combined Government & Employee Loss	-\$933	-\$259	-\$496	-\$148	-\$112	-\$1,947

Source: Diane A. Urquhart

TABLE 7: Impact on Employment Insurance of Not Paying Terminated Employees' Severance

	#	\$ Millions	Per Person	Per Person	Ratio	# Weeks Per Year	# Years	Annual Pay
Terminated Employees with Severance Claims	1,500	\$130	\$86,538	\$86,538	1.15	3	20	\$75,000
		Worse Case @ 15% Cash Settle	Best Case @ 45% Cash Settle					
		\$ Millions	Per Person	\$ Millions	Per Person			
Simple Sum Basis								
Employment Insurance First & Second Year		-\$14	-\$9,369	\$0	\$0			
Foregone Taxes First & Second Year		-\$27	-\$17,900	-\$18	-\$11,992			
Government Impact		-\$41	-\$27,269	-\$18	-\$11,992			
Employee After Tax Impact		-\$69	-\$46,289	-\$53	-\$35,604			
Government & Employee Impact		-\$110	-\$73,558	-\$71	-\$47,596			
Time Value of Money Basis								
Employment Insurance First & Second Year		-\$16	-\$10,431	-\$2	-\$1,062			
Foregone Taxes First & Second Year		-\$28	-\$18,750	-\$19	-\$12,842			
Government Impact		-\$44	-\$29,181	-\$21	-\$13,904			
Employee After Tax Impact		-\$73	-\$48,487	-\$57	-\$37,803			
Government & Employee Impact		-\$117	-\$77,668	-\$78	-\$51,707			
		Year 1	Year 2	Year 1	Year 2			
Income - Severance Paid		\$86,538	\$75,000	\$86,538	\$75,000			
Tax Rate		24.7%	23.1%	24.7%	23.1%			
Taxes		\$21,340	\$17,310	\$21,340	\$17,310			
Income After Tax		\$65,199	\$57,690	\$65,199	\$57,690			
Income - Severance Not Paid		\$0	\$75,000	\$0	\$75,000			
Nortel Cash Settlement Ratio		15%	15%	45%	45%			
Nortel Cash Settlement		\$0	\$12,981	\$0	\$38,942			
EI Paid or Clawed Back		\$22,350	-\$12,981	\$22,350	-\$22,350			
Income Total		\$22,350	\$75,000	\$22,350	\$91,593			
Tax Rate		15.4%	23.1%	15.4%	25.3%			
Taxes		\$3,440	\$17,310	\$3,440	\$23,218			
Income After Tax		\$18,910	\$57,690	\$18,911	\$68,375			
Difference								
Employment Income Pre-Tax		-\$86,538	\$12,981	-\$86,538	\$38,942			
EI Pre-Tax		\$22,350	-\$12,981	\$22,350	-\$22,350			
Taxes		-\$17,900	\$0	-\$17,900	\$5,908			
Income Total After-Tax		-\$46,288	\$0	-\$46,289	\$10,685			
End of Second Year		Simple Sum	Future Value	Simple Sum	Future Value			
EI Loss		-\$9,369	-\$10,431	\$0	-\$1,062			
Tax Loss		-\$17,900	-\$18,750	-\$11,992	-\$12,842			
Employee After Tax Loss		-\$46,289	-\$48,487	-\$35,604	-\$37,803			
Combined		-\$73,558	-\$77,668	-\$47,596	-\$51,707			
Discount Rate	4.75%							

Source: Diane A. Urquhart

TABLE 8: Income Tax Rates 2009

Pensioners

	Before						After				
	Federal	Ontario	Combined	Tax Pre Credit	Personal Deduction Credit	Net Tax	Net Tax %	Personal Deduction Credit	Net Tax	Net Tax %	
\$36,848	15.00%	6.05%	21.05%	\$7,757	\$3,683	\$4,073	11.05%	\$3,868	\$3,889	10.55%	
\$40,726	15.00%	9.15%	24.15%	\$8,693	\$3,683	\$5,010	12.30%	\$3,683	\$5,010	12.30%	
\$73,698	22.00%	9.15%	31.15%	\$18,964	\$3,683	\$15,281	20.73%	\$3,683	\$15,281	20.73%	
\$81,452	22.00%	11.16%	33.16%	\$21,535	\$3,683	\$17,852	21.92%	\$3,683	\$17,852	21.92%	
\$126,264	26.00%	11.16%	37.16%	\$38,187	\$3,683	\$34,504	27.33%	\$3,683	\$34,504	27.33%	
Above	29.00%	11.16%	40.16%								

LTD Employees

	Before						After				
	Federal	Ontario	Marginal Combined	Tax Pre Credit	Personal Deduction Credit	Net Tax	Net Tax %	Personal Deduction Credit	Net Tax	Net Tax %	
\$36,848	15.00%	6.05%	21.05%	\$7,757	\$3,599	\$4,158	11.28%	\$3,693	\$4,064	11.03%	
\$40,726	15.00%	9.15%	24.15%	\$8,693	\$3,599	\$5,094	12.51%	\$3,599	\$5,094	12.51%	
\$73,698	22.00%	9.15%	31.15%	\$18,964	\$3,599	\$15,365	20.85%	\$3,599	\$15,365	20.85%	
\$81,452	22.00%	11.16%	33.16%	\$21,535	\$3,599	\$17,936	22.02%	\$3,599	\$17,936	22.02%	
\$126,264	26.00%	11.16%	37.16%	\$38,187	\$3,599	\$34,588	27.39%	\$3,599	\$34,588	27.39%	
Above	29.00%	11.16%	40.16%								

Spouses

	Before						After				
	Federal	Ontario	Combined	Tax Pre Credit	Personal Deduction Credit	Net Tax	Net Tax %	Personal Deduction Credit	Net Tax	Net Tax %	
\$36,848	15.00%	6.05%	21.05%	\$7,757	\$3,683	\$4,073	11.05%	\$3,816	\$3,941	10.70%	
\$40,726	15.00%	9.15%	24.15%	\$8,693	\$3,683	\$5,010	12.30%	\$3,683	\$5,010	12.30%	
\$73,698	22.00%	9.15%	31.15%	\$18,964	\$3,683	\$15,281	20.73%	\$3,683	\$15,281	20.73%	
\$81,452	22.00%	11.16%	33.16%	\$21,535	\$3,683	\$17,852	21.92%	\$3,683	\$17,852	21.92%	
\$126,264	26.00%	11.16%	37.16%	\$38,187	\$3,683	\$34,504	27.33%	\$3,683	\$34,504	27.33%	
Above	29.00%	11.16%	40.16%								

Severed Employees

	Before						After				
	Federal	Ontario	Marginal Combined	Tax Pre Credit	Personal Deduction Credit	Net Tax	Net Tax %	Personal Deduction Credit	Net Tax	Net Tax %	
\$36,848	15.00%	6.05%	21.05%	\$7,757	\$2,085	\$5,671	15.39%	\$2,226	\$5,530	15.01%	
\$40,726	15.00%	9.15%	24.15%	\$8,693	\$2,085	\$6,608	16.22%	\$2,085	\$6,608	16.22%	
\$73,698	22.00%	9.15%	31.15%	\$18,964	\$2,085	\$16,879	22.90%	\$2,085	\$16,879	22.90%	
\$81,452	22.00%	11.16%	33.16%	\$21,535	\$2,085	\$19,450	23.88%	\$2,085	\$19,450	23.88%	
\$126,264	26.00%	11.16%	37.16%	\$38,187	\$2,085	\$36,102	28.59%	\$2,085	\$36,102	28.59%	
Above	29.00%	11.16%	40.16%								

Tax Credits 2009

	Federal			Ontario			Combined	
	Pre-Tax	Marginal Tax Rate	Credit	Pre-Tax	Marginal Tax Rate	Credit	Credit	
Personal	\$10,320	15.00%	\$1,548	\$8,881	6.05%	\$537	\$2,085	
Age 65+	\$6,408	15.00%	\$961	\$4,336	6.05%	\$262	\$1,224	
Age 65+ Claw-back		15.00%	\$32,312		15.00%	\$32,280		
Pension Amount	\$2,000	15.00%	\$300	\$1,228	6.05%	\$74	\$374	
Disability Amount	\$7,197	15.00%	\$1,080	\$7,175	6.05%	\$434	\$1,514	
Medical Expenses								
Pensioners	\$878	15.00%	\$132	\$878	6.05%	\$53	\$185	
Long Term Disabled	\$446	15.00%	\$67	\$446	6.05%	\$27	\$94	
Spouses	\$629	15.00%	\$94	\$629	6.05%	\$38	\$132	
Severed Employees	\$671	15.00%	\$101	\$671	6.05%	\$41	\$141	

Source: Diane A. Urquhart