

# RIGHTS FOR NORTEL DISABLED EMPLOYEES

[www.protectourtomorrow.com](http://www.protectourtomorrow.com) [rfnde@hotmail.com](mailto:rfnde@hotmail.com)

August 12, 2010

The Honourable Dwight Duncan  
Minister of Finance  
7 Queen's Park Crescent, 7<sup>th</sup> Floor  
Toronto, Ontario  
M7A 1Y7

Dear Honourable Minister Duncan:

We are representatives of the Rights For Nortel Disabled Employees (RFNDE) group. There are currently about 400 Nortel disabled employees. The Nortel disabled and our independent financial analyst, Diane Urquhart, request a meeting with you, to discuss our retirement issues in the aftermath of the Nortel insolvency. We also request the presence of some top bureaucrats in Financial Services Commission of Ontario (FSCO) to discuss the proposed wind-up process of the Nortel pension plan.

In particular, we would like to discuss the "Orphanage Plan" proposed by the Nortel Retirees and Former Employees Protection Corporation (NRPC). Our financial analyst showed us recently, that the Nortel disabled employees, whose Ontario pension accruals produce a pension income in the future of less than \$1000 per month, will be fully covered by the Ontario Pension Benefit Guarantee Fund (OPBGF). Consequently, the Nortel disabled employees with Ontario pension accruals would support the wind-up of our pension plan, taking either a commuted value or a deferred annuity, rather than bearing the risk of any scheme that defers the wind-up of our pension plan. We would want no part of a plan that does not guarantee the first \$1000 of pension income, until the plan winds-up in the distant future.

We wish to bring to your attention that Head of the NRPC, Don Sproule, and others of the NRPC, represent only some pensioners. The Nortel disabled are a distinct group of pensioners. We are presently not retired, and we are not former employees. The disabled employees are continuing employees and the only group of Nortel's employees who are still accruing pensions under the terms of our Long Term Disability Benefits Plan.

The NRPC is actually in conflict of interest to claim they represent the needs of the disabled. In fact, they have acted contrary to our needs in the past. The higher income retirees with Ontario service pensions in excess of \$1000 per month may be able to afford taking risk in the proposed "Orphanage Plan", but our disabled group cannot. The disabled are especially unable to accept any risk due to Nortel's recent settlement agreement. This settlement agreement bars us from seeking remedy from the trustees who breached their fiduciary duties by not protecting the assets in the Health and Welfare Trust that were supposed to be there to fund our Long Term Disability Income Benefits.

Compared to retirees, the disabled are generally young. Many have lower savings due to their disabilities and we have families to support. The disabled have had pension accruals based on our disability income that is well below what our expected career

potential would have been had we not become disabled. Furthermore, the settlement agreement leaves no capacity for us to save from our stripped future disability income through age 65 to supplement any depletion of our pension incomes due to a market correction occurring during the extended time of the "Orphanage Plan". These distinctions and others, mean that there needs to be separate consideration for the Nortel disabled employees - separate from the recommendations of the NRPC - in the wind-up of the Nortel pension plan and Ontario's consideration of the NRPC's "Orphanage Plan".

The Nortel disabled with work service in Ontario are very grateful for the recent action of the Ontario Pension Benefit Guaranty Fund to honour an estimated \$200 million of insurance claims from the Nortel pensioners with Ontario service. Without this guarantee, the disabled would face even worse poverty in our senior years.

Additional Ontario Government guarantees in the proposed "Orphanage Plan" for pensioners with over \$1000 per month of Ontario service pension income would be a huge burden on taxpayers in these economic times. We are aware that the Ontario Government has close to a \$20 billion annual deficit. The largest component of Nortel pensioners earn less than or close to \$1000 per month. So the "Orphanage Plan" would benefit those at the high end of the pension scale, while potentially downloading risk onto those at the lower end - those who can least afford it.

We are also suspicious because the proposed "Orphanage Plan" has no numbers. It was first proposed at the Ontario Finance Committee by actuary Ron Olson of Segal, and Mr. Mike Moorecroft of the NRPC, without the provision of any estimates for the benefits, costs and risks. According to Hansard, some illuminated MPPs at the Committee did request such information, MPP Norm Miller is one of them, but there have been no answers forthcoming yet. We do not believe that this reflects the proper process going forward. A full transcript of the Hansard for the April 1<sup>st</sup> 2010 meeting of the Standing Committee on Finance and Economic Affairs is available [here](#).

The disabled of Nortel without Ontario service are also concerned about the "Orphanage Plan, because if things go horribly wrong, the pensioners outside of Ontario will get none of the new Ontario guarantees and will fully bear the risk. As the Nortel pension plan winds-up and large sums of money (approximately \$3 billion) are involved, it seems the "Orphanage Plan" proposal continues to pay money managers, lawyers, and accountants through their professional fees while the beneficiaries bear the risk of any lower asset values by the end of the extension period.

We have good reason to be suspicious. In the Toronto Star recently, there was an [article about the Canadian Commercial Workers Industry Pension Fund](#), Canada's largest multi-employer pension plan. It outlines some very serious under-funding and trustee problems that resulted in fines for all nine trustees. It is clear to us that when you are dealing with large sums of money, you need highly ethical people with proven records of financial performance to be involved in the governance of pension plans.

To date, the Nortel disabled are not convinced that the uncertain benefits of the "Orphanage Plan" from market appreciation and higher interest rates in the future, outweigh the risks of the opposite occurring, especially those of us with Ontario service pensions under \$1000 per month or close to it. It is completely unreasonable for our

disabled group to extend the period before the wind-up of a pension plan, unless all numbers were presented to our financial analyst for independent analysis.

The disabled deferred pensioners have already suffered too much. We are urgently requesting a meeting with you before that lack of transparency by the NRPC becomes another slap in the face and a possible embarrassment for the Ontario government who may make changes with unintended consequences for the disabled pensioners.

Sincerely yours,

Greg McAvoy	jgmcavoy@shaw.ca
Jennifer Holley	jholley@xplornet.com
Peter Burns	snrub.retep@rogers.com
Arlene Borenstein	arleneplante@hotmail.com

**Rights for Nortel Disabled Employees**

cc:

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