

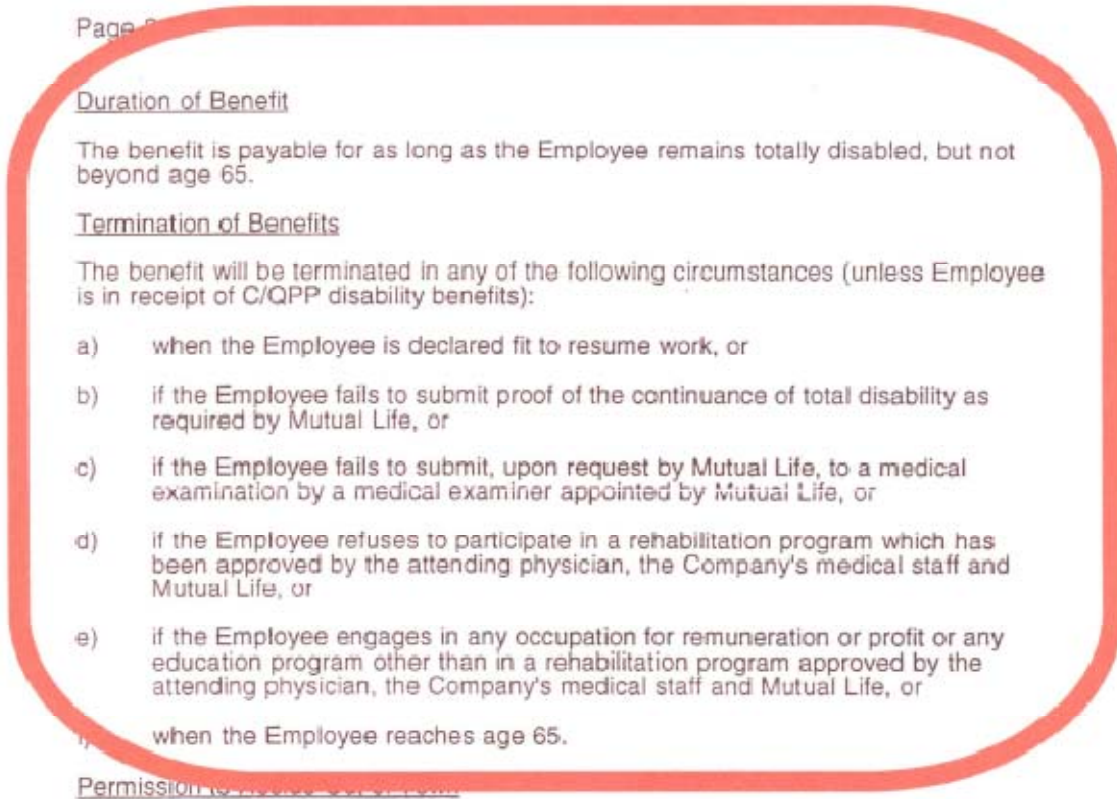
Nortel Long Term Disability Benefit Disclosure -The Positives and the Negatives

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The Positives:

(1) July 24, 1995 Letter from Mutual Life confirming Jane Doe's LTD claim approval, Attachment A Conditions and Operation of the Long Term Disability Plan says:



(2) July 26, 1996 Letter from Nortel HR Info Center says:

"On July 7, 1995 you proceeded to Long Term Disability, which is considered salary continuance and pays you a gross monthly benefit of \$2,420.83. **This benefit will be paid to you for as long as you are totally disabled up to age 65, at which time you will proceed to a Company paid Pension.**"

(3) May 1, 1998 Letter from John Roth to Nortel Employees provides 3D Rewards Brochure that says:

"Through the "FLEX" Benefits program, **Nortel provides a solid safety net aimed at protecting you and your family in the event of illness, injury, disability or death.**"

(4) **Starting in 1995 and until 2006, the Core Long Term Disability Benefit paid by Nortel covered 50% of FLEX Earnings and the employees could purchase Optional Long Term Disability Benefit to "Raise 50% benefit to 70%."** 2007 and later, the Core Long Term Disability Benefit paid by Nortel covered 50% of FLEX Earnings and the employees could purchase Optional Long Term Disability Benefit to "Raise

50% benefit to 66-2/3%." **The cost of the Optional Long Term Disability coverage was unchanged at 0.45% of FLEX Earnings during 1995 up to 2008 or 2009, rising to 0.50% for 2008 or 2009** (missing 2008 Handbook). Prior to 1997, the Core Long Term Disability Benefit paid by Nortel covered 70% of FLEX Earnings.

(5) 2005 to 2009 Handbooks say:

"If you're currently enrolled in core LTD coverage and want to increase to optional LTD coverage during the annual enrolment period, you'll have to provide evidence of insurability (EOI). Your optional LTD coverage will not become effective until the date Sun Life approves your application."

(6) November 24, 2000 Jane Doe's Canadian FLEX Benefits Confirmation Statement says:

Core Long Term Disability	Nortel Cost Per Year	\$223.08
Optional Long Term Disability Raise 50% to 70% benefit	Employee Cost Per Year	\$147.42

This means that **Nortel employees who bought the optional Long Term Disability Benefit paid 40% of the cost for the total LTD coverage, while the incremental coverage they bought was 29% of the total LTD coverage.**

(7) August 18, 2005 Letter from Sun Life Financial to Jane Doe says:

"We have received the completed Confirmation of Ongoing Total Disability form. Based on the information you provided you continue to be eligible for disability benefits and **we will continue your payments.** "

(8) March 3, 2004 Letter from Sun Life to John Smith approving his Long Term Disability benefit says:

"Your participation in all other Nortel Network benefit plans remain unaltered during the period of LTD with the following exceptions:

- Medical, dental, vision and hearing will be covered under the comprehensive plan for you and your family
- Service accrual for vacation ceases from the first day of LTD.

This suggests that the medical benefit and the dental, vision and hearing benefit should be part of the LTD person's claim since these were to remain unaltered during the period of LTD, which is until the LTD person is age 65 or dies.

(9) December 2004 Letter from Nortel Networks to Nortel Networks Employees Receiving Long Term Disability Benefits says:

"Please note that while you are on long-term disability, your obligation to pay the premiums for optional life insurance, accidental death and dismemberment (AD&D) insurance and optional dependent life insurance - if applicable - is waived."

This suggests that the optional life insurance, accidental death and dismemberment (AD&D) insurance and optional dependent life insurance premiums & continuing coverage should be part of the LTD person's claim since they were to have their premiums waived during the period of LTD, which is until the LTD person is age 65 or dies.

(10) May 1, 1998 Letter from John Roth to Nortel Employees provides 3D Rewards Brochure that says:

The Breakdown of Your Financial Rewards

Base Salary	
Your base salary as of May 1, 1998	\$45,000
Plus Your Special Payments	
Special payments received from May 1997 through April 1998 (e.g. recognition awards, business performance incentive payments, hiring bonus, lump-sum merit, career development, or promotion cash, etc.)	\$355
Plus Your Investment Plan	
Projected company match to the Investment Plan for the next 12 months based on your current salary and contribution rate of 8.0%	\$1,350
YOUR TOTAL CASH	\$46,705
Plus Your Benefits	
Nortel's contribution towards the cost of your benefits, based on average company figures, in 1998	\$10,125
YOUR TOTAL FINANCIAL REWARDS	\$56,830

This illustrates that Nortel wanted its employees to consider their benefits to be part of their total compensation. This means it can be argued that people chose to work for Nortel on the basis of total compensation of salary and benefits, and were willing to accept lower take-home pay than other employment opportunities. **So, not only did they use some of their own salary to purchase optional additional benefits, they took less salary because Nortel was paying for core benefits. So, the benefits are owed to them as deferred wages and are not bonuses that Nortel paid and can no longer afford to pay due to bankruptcy.**

(11) August 3, 2000 Letter from Clarica to Jane Doe describes Nortel as a policy holder when it says:

c: Attn: Lise Barriere - Nortel Networks Info Center*

* Please note the doctor's name and specialty are kept confidential. **The policy holder only receives information and the date and time of your appointment.**

This tells Jane Doe, that Nortel is a policy holder of Clarica, and since Clarica is an insurance company, a reasonable person would assume that Nortel has an LTD insurance policy with Clarica.

The Negatives:

(1) Flex 2005 Handbook and all subsequent Benefit Handbooks have the following statements:

"Did you know: Most of Nortel's Health & Group Benefits, including short-term disability, long-term disability, medical and dental/vision/hearing care, are self-insured. This means that Nortel plays a role similar to that of an insurance company for its employees. In other words, the Company assumes the risks and pays the claims directly from its net income or retained earnings. The insurance company only provides administrative services such as claims processing."

"The Handbook provides a summary of Nortel's Health & Group Benefits Program as of January 1, 200X. **If there are discrepancies between the information in this Handbook and the applicable Nortel benefits plan, the actual plan document will, in all cases, govern the details of the benefits coverage and the plan administration.**"

"In accordance with each plan, Nortel reserves the right to amend or discontinue the plan described in this Handbook at any time without prior notice to, or consent by, employees. "

(2) Jane Doe's August 1, 2000 Disability Benefits Statement says:

**"NAME OF PLAN: NORTEL NETWORKS LIMITED
THIS PLAN IS ADMINISTERED BY CLARICA"**

(3) Jane Doe's August 2003 Important Announcement from Sun Life Financial says:

"As you may be aware, Clarica Life Insurance Company has become a member of the Sun Life Financial group of companies. As a result, **group benefits currently administered by Clarica for Nortel Networks will be administered through the Sun Life Financial group benefit system beginning September 1, 2003.**"

(4) Jane Doe's January 16, 2001 Letter from Clarica, requesting reimbursement for an overpayment of \$8,846.46 of her long term disability benefits due to CPP disability benefits paid, says:

"Please forward a cheque for \$8,846.46 to our Group Insurance Financial Control Department. **This cheque should be made payable to Nortel Networks Limited.**"