

**Webinar**  
**July 8, 2009 8 P.M. EST**

**Call to Action**

**Getting the BIA Amendment &  
Investment Canada Conditions  
for Full Payment of Nortel Benefits**

# Agenda

- |                          |   |
|--------------------------|---|
| <b>Diane Urquhart</b>    | <b>Host, Webinar Agenda and Housekeeping Matters</b>  |
| <b>Don Sproule</b>       | <b>New Development of Nortel Liquidating<br/>What Are We Asking Government to Do for All of Us</b>                              |
| <b>Diane Urquhart</b>    | <b>The Probable Damages to Retirees, Disabled and Severed Employees<br/>Financial Status of the Canada Estate</b>               |
| <b>Sue Kennedy</b>       | <b>The Impact on Nortel Employees on Long Term Disability</b>   |
| <b>Paula Klein</b>       | <b>Why BIA Amendment is Good Social Policy</b>  |
| <b>Diane Urquhart</b>    | <b>Federal Government Saying No Due to Cost and Availability of Capital<br/>The Cost and Availability of Capital is Nominal</b> |
| <b>Paul Hanrieder</b>    | <b>Political Action to Date by NRPC &amp; Melanie Johannink Petition<br/>Recommended Actions for Webinar Participants</b>       |
| <b>Questions/Answers</b> | <b>Jonathon Ricci will read questions.</b>  |

**Webinar**  
**The Why and the What**  
**in the NRPC Ask of the Feds**

July 08, 2009

Don Sproule  
National Chair:

Nortel Retirees' and former employees' Protection Committee

# The NRPC

- Organized nationally with chapters in Ottawa, Toronto, Montreal, Belleville, London, Atlantic Canada, and outside Canada
- Working the issues of retirees and severeds since Jan 14th
- “The NRPC's major priorities are to ensure that Nortel retirees and former employees receive the benefits they were promised and to avoid the wind up of the Nortel pension fund when it is underfinanced. We will do this through representation at the CCRA process and by seeking urgent action from governments to protect our rights as citizens and as Nortel creditors and by communicating our story to political leaders and the public nationwide.”

# Who is/will be affected by CCAA/BIA?

- Nortel retirees, former employees and LTD's
- since Jan 14th:
  - ~ 750 pensioners with additional retiree claims
  - ~ 1000 severed employees
- future:
  - 17,500 pensioners and deferred pensioners
  - 3,000 in Que, 12,500 Ont, 2,000 other prov
  - 11,000 people on health benefits
  - ~ 450 LTD

**CCAA = Companies' Creditors Arrangement Act**

**BIA = Bankruptcy and Insolvency Act**

## (1) Registered Pension Plan Underfunding

- common misunderstanding: “at least pensions are protected”
- Yes: while company a going concern
- No: when company enters BIA
- ~\$1.1 B underfunding in 2 plans, 31% underfunded
- Under BIA: pension deficit has **unsecured creditor** status

## (2) Retiree Health Plan and other Benefit Plans Underfunded

- a more opaque area for retirees
- unlike Registered Pension Plans:
  - not funded, paid from Nortel’s revenues
  - zero visibility into the long term liability of these plans
  - no provincial or federal oversight
  - claims have **unsecured creditor** status

→ Pension Loss + Health Plan Loss

### (3) Long Term Disability & Health Care

- no provincial or federal regulations for LTD payments
- administered through the Nortel health and welfare trust
- funded through Nortel general revenues on quarterly basis.
- a “self insured plan”, no insurance company backing
- LTD monthly payments will sink to **unsecured creditor** status
- loss of pension accrument and critical health care plan.

→ Welfare for Many

### (4) Severance on Termination

- provincial employment standards act overridden during CCAA and BIA
- under CCAA/BIA:
  - severance claims have **unsecured creditor** status
  - severed employees must obtain EI right away

→ EI Below Monthly Expenses and Reduced Savings

# The Group of Unsecured Creditors

## (1) Bond holders

- **sophisticated money managers**
- negotiation between equals
- do it for a living
- **factors in bankruptcy risk management**
  - probability of default;
  - shortened maturity dates
  - higher yield
  - cross guaranteed: US and Canada
- original bond holders sold off
- now in hands of vulture bond holders at 10c on the \$

- Don't know the final settlement outcome
- Unsecured Creditors will get >10c on the \$

# The Group of Unsecured Creditors

## (2) Retirees

- over a lifetime of work invested in pensions and benefits
- pensions and benefits are **risk management**;
  - living too long, living too short (survivors), health decline,
- pensions are not: worrying about risk of company bankruptcy
- inequality in understanding risk; the company vs the retirees

## (3) Disabled Employees

- left in the cold
- wage replacement, health care, pension accrual have **unsecured** status
- not eligible for EI, WEPP, have only CPP disability

## (4) Severed Employees

- “no severance” **highly unusual, not contemplated**
- forced to go on EI (at taxpayers expense)

Egregious Imbalance: needs to be corrected

## What we're asking

### BIA Amendment:

- urgent grant of "preferred" status ranking to pensioner, disabled employee and severed claims

## Amendment Pro and Pushback

- |             |   |
|-------------|---|
| • Pro:      | Costs the taxpayer nothing, good social policy        |
| • Pushback: | Cost of Canadian capital goes up                      |
| • Reply:    | Cost of Canadian capital goes up nominally (.06-.26%) |

## What the NRPC needs from you

- Contact your local NRPC committee and the Political Action Committee (PAC) person to volunteer
- If you want to visit your MP, do it as an individual, not as the NRPC
- See your local MP at the BBQ this summer.
  - Ask if they understand your situation
  - Note this is not just about Nortel
  - Ask why they voted yes on the motion to give pensions priority on June 16th
  - Ask if they're willing to support a BIA amendment
- Write your local MP, don't email

## To Contact the NRPC

- Go to [www.nortelpensioners.ca](http://www.nortelpensioners.ca)
- Go to About NRPC / Contact us
- See Regional Email contacts (our preference)
  - Ottawa, Toronto, Montreal, Calgary/Western Canada
  - London, Belleville, Atlantic Canada, International
- National Email contacts:
  - PAC, Media

# Unanimous Consent in the House of Commons on Motion to Work With Provinces on Preferred Status

Mr. Marston (NDP MP Hamilton East—Stoney Creek), seconded by Mr. Mulcair (NDP MP Outremont), moved, — That, in the opinion of the House, in light of the legitimate concerns of Canadians that pensions and their retirement security may not be there for them in their retirement years, the Government of Canada should begin to work with the provinces and territories to ensure the sustainability of Canadians' retirement incomes by bringing forward at the earliest opportunity, measures such as:

- (a) *expanding and increasing the CPP/QPP, OAS and GIS to ensure all Canadians can count on a dignified retirement;*
- (b) *establishing a self-financing pension insurance program to ensure the viability of workplace sponsored plans in tough economic times;*
- (c) *ensuring that workers' pension funds go to the front of the line of creditors in the event of bankruptcy proceedings;*
- (d) *in the interest of appropriate management of the CPP that the Government of Canada immediately protect the CPP from imprudent investment practices by ceasing the practice of awarding managers performance-based bonuses; and (e) take all necessary steps to recover those bonuses for 2009, ensuring managers in the future are paid appropriate industry competitive salaries.*

**DATE OF UNANIMOUS CONSENT – JUNE 16, 2009**

# Ontario Private Member's Resolution

- On May 7, 2009, Liberal MPP Carol Mitchells' private member's resolution was voted on and carried in the house. It reads:
- Mrs. Mitchell - That, in the opinion of this House, **the Government of Canada should protect Ontario workers' severance and termination pay when their employer goes bankrupt by amending the Bankruptcy and Insolvency Act to provide employees with preferred creditor status,** so workers' salaries and compensation rank ahead of banks and insurance companies; and by increasing the maximum employee eligibility amount from the Federal Wage Earner Protection Program.

**Diane A. Urquhart**

**Independent Financial Analyst & Author**

**of**

**Interventions To Protect  
Nortel's Canada Estate For Canadians**

**[urquhart@rogers.com](mailto:urquhart@rogers.com)**

# Cash Settlement Is Expected to Be Poor

Liquidation Cash Settlement Per Dollar Claim	Estimate Only
US \$	
Canada Estate	\$0.10
Global Estate	\$0.35

# Estimated Damages to Canadians

- At least Cdn\$1,500 million
- Canadian pensioners' income loss estimated at -28%, possibly up to -40% (without Ontario Pension Guaranty Fund contribution)
- Lost post-retirement health benefits estimated to cost up to \$250 to \$350 per month
- Disabled former employees' income loss of up to -90%
- Severed employees getting only an estimated 10% of their severance

# The Timing for Expected Settlement

## Nokia Siemens Networks' Sale Schedule

- Stalking horse bid with 3% break-up fee
- Auction for other bids on July 24<sup>th</sup>
- Deal closing by August 31<sup>st</sup>
- Canada and US regulatory approvals by Sept. 30<sup>th</sup>

Other sales announced by Dec. 31<sup>st</sup>?

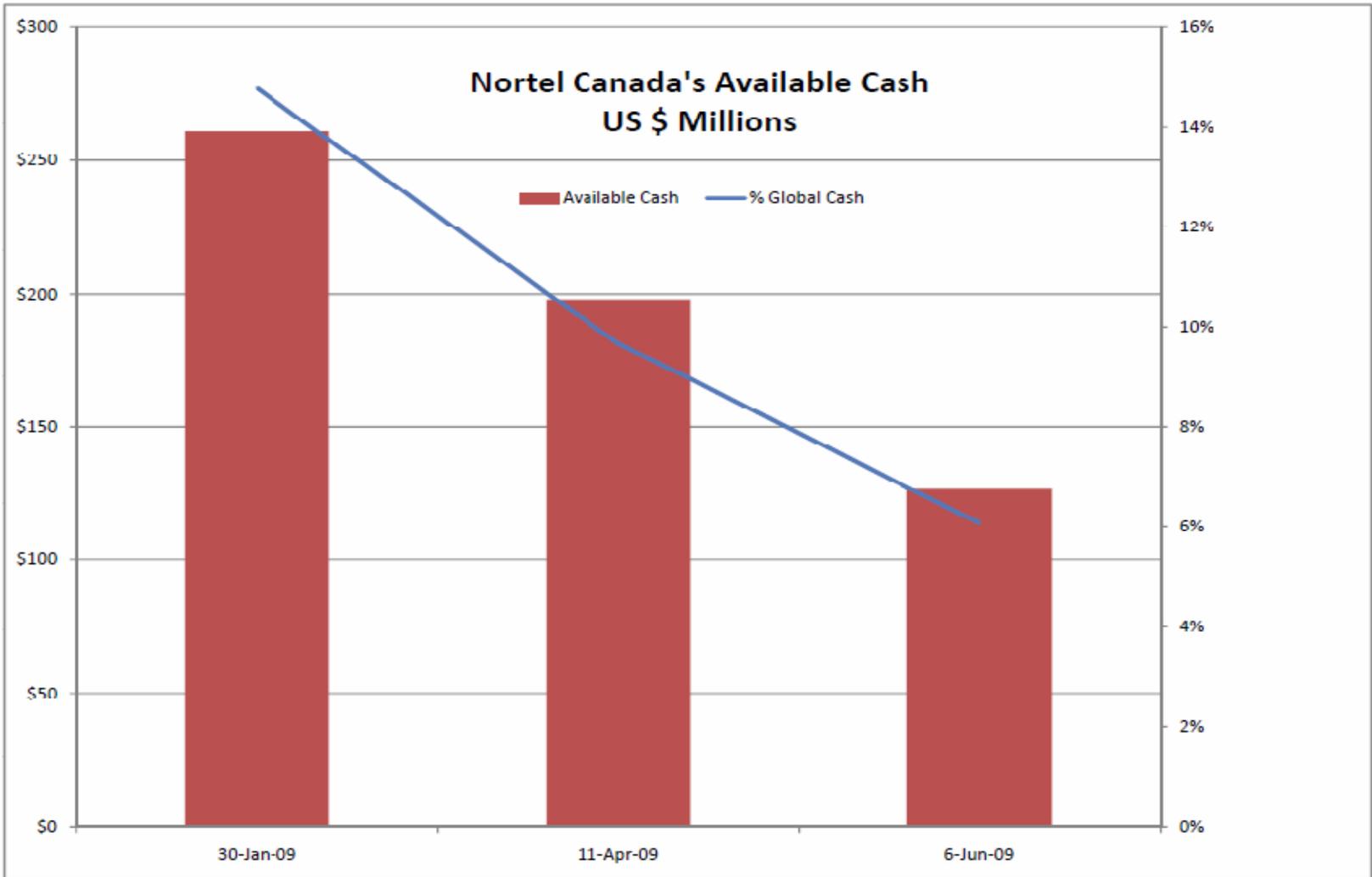
Nortel liquidation done by June 2010?

# Nortel DB Pension Plan Deficit is Not Unusual

- The assets in the DB Plans are held by an independent Trustee, Northern Trust Company, and can never be used to satisfy any obligations other than pension plan obligations
- The assets held by the DB Plans are invested by professional investment managers hired by Nortel with advice from Watson Wyatt Worldwide (“WW”)
- The split of assets across different asset classes to ensure diversification is determined by Nortel with advice from WW. As at Jan 1, 2009 the assets were split fairly evenly between Equities and Bonds, with a small allocation to High Yield Bonds and Public Real Estate.

# Nortel Networks Pension Plan Performance

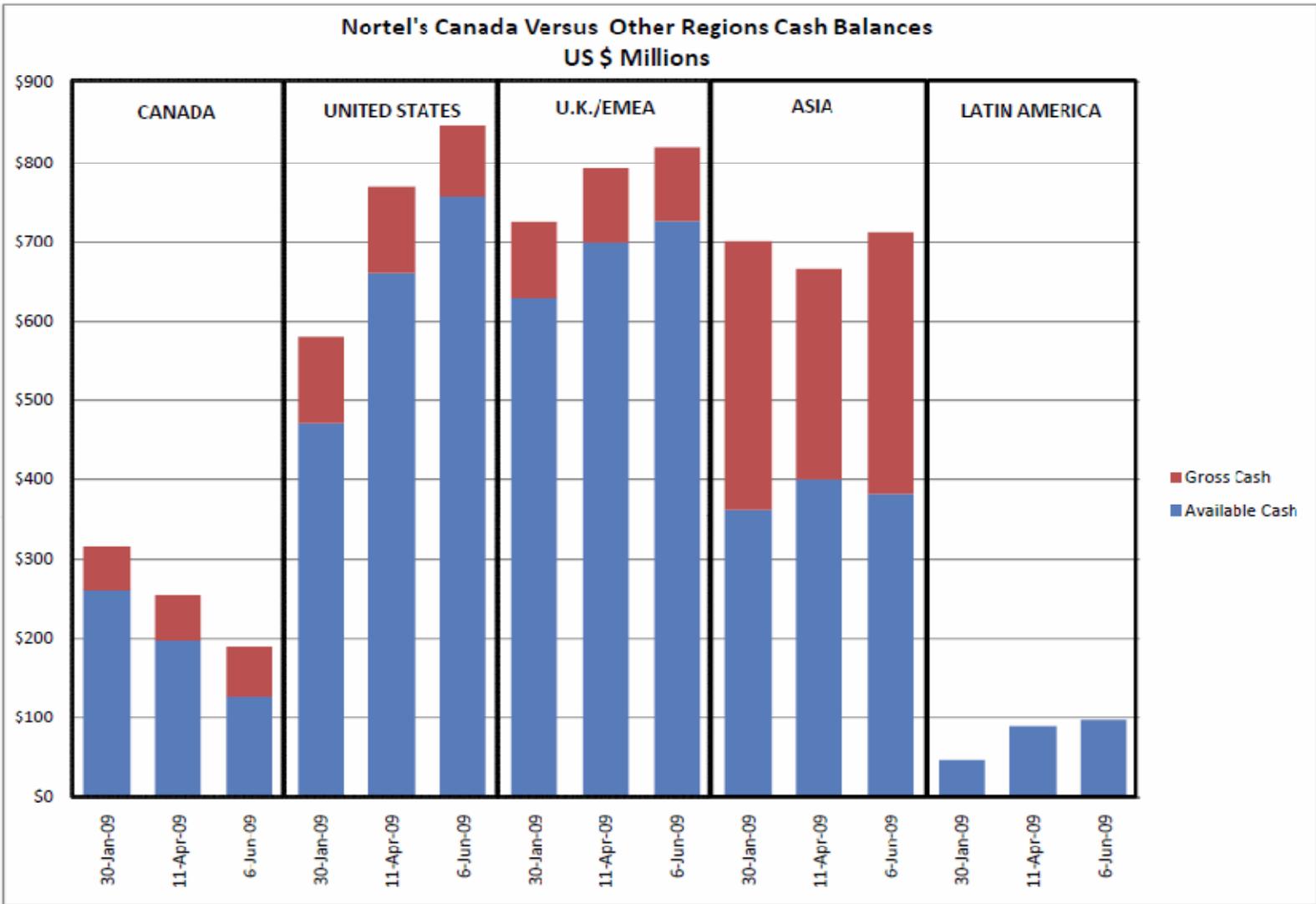
Period	1 Yr	4Yr	10 Yr
Annual Return	-15.9%	1.9%	4.4%
Relative to PIAC Plans	2nd Quartile	2nd Quartile	4th Quartile



# Nortel Canada Actually Started with a Negative Net Cash Balance

US \$ Millions at January 14, 2009

Gross Cash in Canada	261
Loan Owed to US Nortel Networks Inc.	<u>-295</u>
Net Cash in Canada	<b>-34</b>



# Withholding Payments and Off-Loading Restructuring Costs to the Canada Estate

- International sales offices did not pay anything to Canada for its head office and R & D costs from February 1st to June 7th.
- The replacement Interim Funding and Settlement Agreement of US\$157 million for June 8<sup>th</sup> to Sept. 30<sup>th</sup> is woefully low.
- Canada estate is being charged restructuring costs of US\$33 million during the period February 1, 2009 to September 30, 2009.

# Directors Fees

## From the Canada Estate

Nortel Directors	
J.H. Bennett	200,000
Dr. M. Bischoff (replaced recently)	212,500
The Hon. J.B. Hunt, Jr.	215,000
Dr. K.M. Johnson	200,000
J.A. MacNaughton	235,000
<b>The Hon. J.P. Manley</b>	<b>215,000</b>
R.D. McCormick	227,500
C. Mongeau	200,000
H.J. Pearce	562,500
J.D. Watson(7)	164,674
<b>Total</b>	<b>2,432,174</b>
<b>Average of 10</b>	<b>243,217</b>

These are 2008 fees. Directors accepted \$25,000 less each during restructuring.

# Management Bonuses from the Canada Estate

- US\$45 M in KEIP, KERP

Named Executive Officers in US SEC 10-K			100%	183%
M.S. Zafirovski	2008	1,287,093		
P.S. Binning	2008	643,490	643,490	1,177,587
D.J. Carey	2008	550,000	550,000	1,006,500
S.J. Bandrowczak	2008	425,000	425,000	777,750
W.K. Nelson	2008	524,094	524,094	959,092
R.S. Lowe	2008	500,000	500,000	915,000
Noted Three in Red			1,693,490	3,099,087

- Unvested Bonus Awards are paid in full, if there is a sale of businesses and the Key Executives and Employees are terminated.
- \$68 M in Canadian AIP Bonuses Expected for 2009

# **Prior Charge for Directors' Indemnification from Lawsuits**

Prior Charge on Canada Estate      US\$ 90 Million

Funded Trust      US\$ 10 Million

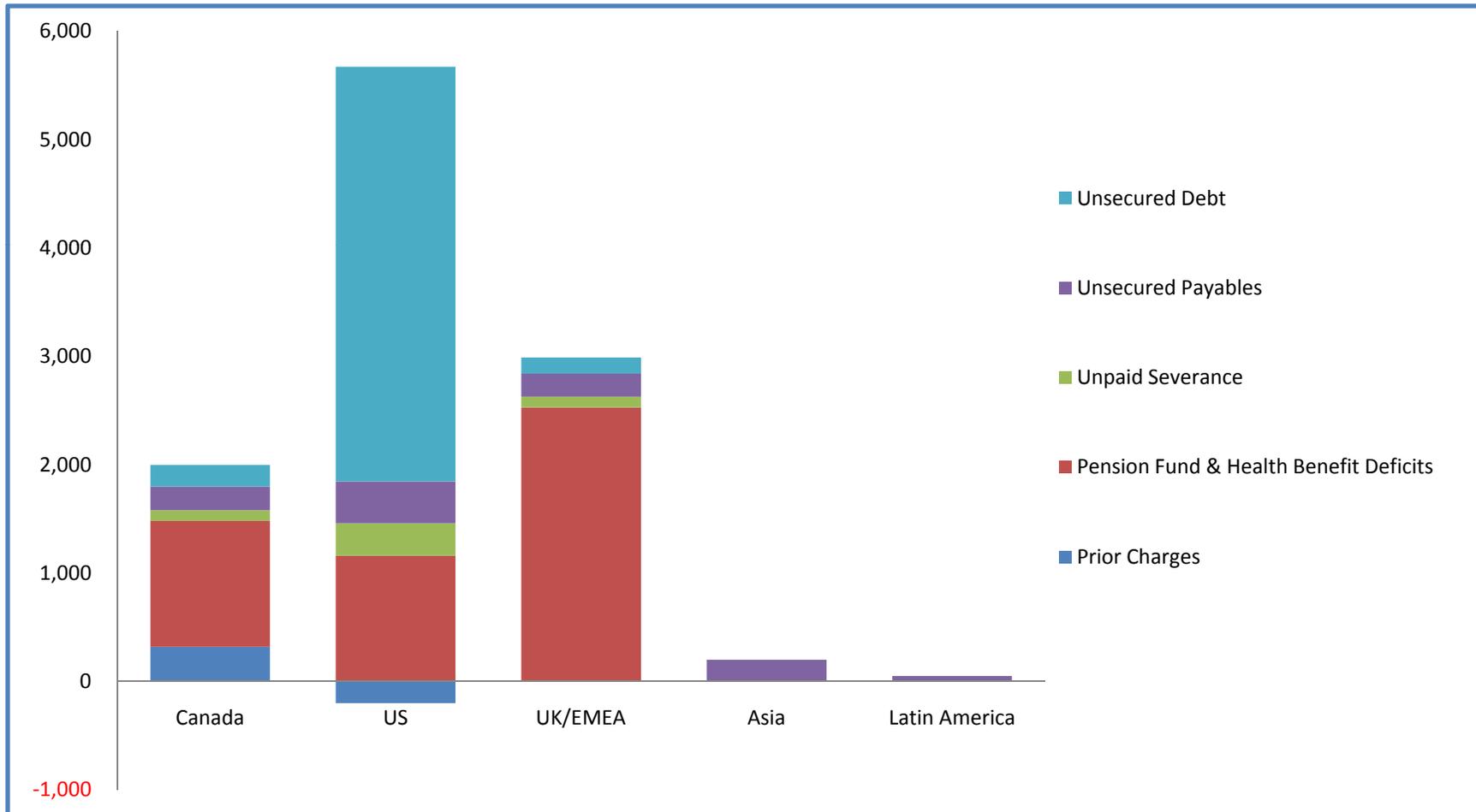
Total Directors' Indemnification      US\$100 Million

# Prior Charge for Loans from US

**Your savings are in an American bank account monitored by your son who lives in US. You need money to live, so you ask him to send up \$40,000 money from your American account. He decides to lend you \$40,000 instead. Then, he puts a charge onto your home so that if you were to sell your home for \$400,000, you need to pay him back the loan. You are left with only \$360,000 from the sale of your home. He keeps the original \$40,000 of your savings for himself and gets another \$40,000 from the sale of your home up in Canada.**

- US\$200 million Debtor-in-Possession (DIP) line of credit from the US NNI to Canada
- Open-ended amount of inter-company loan from the US NNI to Canada

# Nortel Global Creditor Claims US\$10,500 Billion



# Key Stakeholders in Negotiations

## US Unsecured Creditors Committee

**The Bank of New York Mellon**  
New York, NY

**Law Debenture Trust Company of New York**  
New York, NY

**Flextronics Corporation**  
Broomfield, CO

**Airvana, Inc.**  
Chelmsford, MA

**Pension Benefit Guaranty Corporation**  
Washington, DC

## US Ad Hoc Bondholders Committee

**Matlin Patterson Global Advisors, a private-equity investor in distressed companies**  
US\$400-million US in Nortel bonds, or about 10% of Nortel debt.

## UK Ernst & Young Court Administrator

Need the intervention of both Industry Minister Tony Clements and International Trade Minister Stockwell Day to Rebalance the Power – Fix BIA Now & Set Investment Canada Act Conditions

**Sue Kennedy**

**Representative of**

**Canadian Nortel Employees on Long Term Disability**

**[kennedy.robinson@rogers.com](mailto:kennedy.robinson@rogers.com)**

## **Hot, Off the Press Updates on LTD Situation**

- “Nortel disabled benefits may go” Financial Post July 8, 2009 article by Karen Mazurkewich.
- Updates from Koskie Minsky’s meeting with Nortel on July 6 regarding LTD benefits.

# FINANCIAL POST

Wednesday, July 8, 2009

## Nortel's disabled benefits may go

Victim of CCAA process

Karen Mazurkewich, Financial Post



Reuters

Nortel Networks Corp. has claimed another victim: Employees on long-term disability are just learning that their benefits, which they thought were insured, may be cut off if the company does not emerge intact from *Companies' Creditors Arrangement Act* protection.

Months after Nortel filed for bankruptcy protection, Susan Kennedy learned her benefits were not insured by Sun Life Assurance Co. of Canada, the company issuing her cheques.

Instead, her long-term disability (LTD) payments have been made from a Nortel Health and Welfare Trust, and Sun Life was simply administering benefits on Nortel's behalf.

Presented by



National Post  
Podcasts

**Paula Klein**

**Representative of**

**Recently Severed Canadian Nortel Employees**

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# The Equitable Principles for Pension & Health Plan Deficits and Severance Preferred Status

- Pensioners, disabled and severed employees are persons with one source of income
  - Pensioners and long term disabled cannot be expected to go back to work
  - Severeds need to live while looking for work and retirement savings get depleted
- Pensioners, disabled and severed employees were promised employment benefits by implicit or explicit contract [pensions were deferred wages]
- Pensioners, disabled and severed employees are not in the business of extending credit, like the debt investors or suppliers
- Pensioners, disabled and severed employees have no tax credits to cushion their after tax damages – unlike the debt holders and suppliers

# The Equitable Principles for Pension & Health Plan Deficits and Severance Preferred Status

- Public taxpayers and public insurance premium payers should not be required to bear the burden for corporations who choose to enter bankruptcy protection and who can afford to pay for pension, health and long term disability benefits and severance
  - Can afford executive and current employees' bonuses
  - Businesses are being sold for \$ billions in a liquidation rather than a bankruptcy with locks on the door and auctions for used machinery & equipment
  - Debt holders likely bought debt at deep discount in years before bankruptcy

# Not Fair

## Compared to Chrysler Settlement

- In the restructuring of Chrysler, the secured creditors got assigned \$2 billion in cash or 29% of their secured creditor claim.
- New Chrysler received \$6 billion from US government and \$ 3 billion from Canadian government. Treasury and the Canadian government received 8% and 2% respectively of the company's new equity.
- New Chrysler issued a note in an amount of nearly \$4.6 billion to a Voluntary Employee Benefit Association (VEBA) of the United Auto Workers. The VEBA will also receive 55% of New Chrysler's equity.

# Not Fair

## Compared to GM Settlement

***The following note was sent to General Motors of Canada, Limited Salaried Retirees on Monday, June 22, 2009.***

As an interested stakeholder in the viability of General Motors, you are no doubt aware that the re-invention of General Motors is well underway. The re-invention includes measures to secure the viability of the salaried pension plan and to help ensure that retirees are confident about the future.

In discussions with the Governments of Canada and Ontario regarding the long term viability of GM, reducing the underfunded status of the GM pension plans and the reduction of benefit costs took centre stage. The solution to General Motors' financial difficulties would have to include measures that help ensure that retirees are protected.

In response to that mandate, the agreement with the Governments includes provisions that require GMCL to rescind the Section 5.1 election (Qualified Plan status) that allows going concern funding, and move to implement 10 year solvency funding by the end of the year. In addition, GMCL is required to make a large upfront contribution to the pension plan in 2009 and make significant annual contributions going forward. These actions will ensure solvency funding levels commensurate with other pension plans in Ontario.

**Diane A. Urquhart**

**Independent Financial Analyst & Author**

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# **Ted Menzies, Parliamentary Secretary of Finance Gives Government Response**

"In bankruptcy law, an appropriate balance is sought between the competing interests of the debtor and the creditors and between the creditors themselves. Changing the priority of unfunded pension liabilities and severance payments could have a negative impact on the cost and availability of credit. Increases in the cost and availability of credit would increase the cost of doing business and potentially reduce employment and economic growth. "

**Answer is No for Now.**

**We Need to Convince the Government Otherwise.**

# Export Development Canada Pulls the Plug

- Federal Government Crown Corporation, Export Development Canada (EDC), pulled the plug on Nortel on January 15, 2009 by recalling its US\$750 million line of credit to Nortel, causing it to file for bankruptcy protection in Canada, the US and the U.K. on January 14, 2009.
- EDC took the next step of funding US\$300 million or 46% of Nokia Siemens' purchase of Nortel's profitable CDMA & LTE business

# **BIA Nullifies Provincial Pension and Severance Protection Laws**

- Collateral damages for estimated 19,000 Nortel Canadian pensioners, disabled and terminated employees.
- Federal Government's BIA (and CCAA) laws have nullified all of the Provincial laws for pension benefits and severance protection

# Cost and Availability of Debt

## Counter-Arguments

- Impact of BIA amendment is an increase in interest rates by only 0.05% to 0.26% annually for the debt market as a whole.
- Junk bond owners recover less \$\$\$ upon liquidation, but were paid to take risks and knew they would have some bankruptcies in their portfolios.
- Investment banks and debt players throughout Canada and the world were responsible for the toxic structured credit products that caused the financial crisis
- These players caused corporate bond interest rates to rise by 2.50% to 13.50% compared to the 0.05% to 0.26% that the BIA amendment would cause

# Cost and Availability of Debt

## Counter-Arguments

Increase in interest rates is insignificant relative to the benefits of the amendment:

- Canadian pensioners, disabled and severed employees have income security
- Provincial pension benefit and severance laws are not over-ridden and Canadians are no longer deceived about having pension and severance protection in times of crisis
- Corporations benefit from having defined benefit pension plans and paying severance, through lower employee turnover and higher employee productivity
- Governments have less taxpayer spending on welfare, pension guaranty insurance and unemployment insurance programs, when corporations and their debt holders pay for their own obligations for pension, health and long term disability plan deficits and severance

# **Retroactive or Not Do the BIA Amendment!**

- We are seeking that the BIA get an emergency amendment at this time. In this way the BIA amendment can provide benefit to the Nortel pensioners, disabled and severed employees without triggering retroactivity
  - Nortel is under CCAA currently
  - Get the BIA amendment, while Nortel is in CCAA and before it enters BIA so that the BIA amendment is not retroactive
- Retroactive OK in an economic crisis.

# No Quid Pro Quo for Pension Contribution Extensions

- Why is it that the governments give companies extensions from 5 to 10 years for the payment of Special Contributions to eliminate pension fund deficits funds during recession or bankruptcy protection?
- The pensioners are being asked to take risk for the sake of creating lower costs for the company so that it may continue as a going concern.
- Where is the quid pro quo of protection for the pensioners when the companies enter bankruptcy despite their best efforts to be an ongoing concern?

# Political Action We Need Your Help!

Don't worry it's very easy!

Paul Hanrieder  
[hanriedp@gmail.com](mailto:hanriedp@gmail.com)

# Progress to Date

- NRPC political action committee has been in place since February – lead by Frank Mills.
- [http://nortelpensioners.ca/index.php?option=com\\_content&task=blogsection&id=18&Itemid=86](http://nortelpensioners.ca/index.php?option=com_content&task=blogsection&id=18&Itemid=86)
  - Excellent work by that team – Keep it up!
- Contact and relationships setup with 60 MP's and MPP's.
- NRPC members cover 184 constituencies across Canada.

# Need to Accelerate

- Previous actions have laid the foundation and contacts for the next phase.
- Recent shift to sale of assets and liquidation and discovery of cash depletion in Canada requires an acceleration of strategy.
  - Need to continue the PAC process through Frank's team, but this is a call to add soldiers to the ranks.
  - Everyone needs to contact their MP's using the materials provided at the websites noted – NRPC members should coordinate their visits through the NRPC PAC.
  - Motivate MP's to get their parties to push Industry Minister Tony Clement and International Trade Minister Stockwell Day to implement the BIA amendment and Investment Canada Act conditions for foreign sale proceeds to fund pension and health plan deficits and severance.

# This is Not Just Affecting Us

- A key strategy change is to make the public aware that this could happen to ANYONE in Canada that works for a big corporation. We need to provide:
  - Education on what happened to us.
  - Show them that this could happen to them.
  - Call them to action in their ridings.
- Spread the word to friends, neighbors and family to ensure everyone knows of the holes in our bankruptcy laws.
- It is deplorable that this had to happen to anyone and should never happen again.

# Our Ultimate GOAL

- Fix BIA Now for everyone in Canada and ensure this is not allowed to happen to anyone again.
  - This is not just for Nortel employees.
  - This is for anyone that is currently a pensioner, employee and for our children.
- Once everyone is educated about the BIA holes, then the obvious solution is to fix them – Diane has built the evidence to refute the government's reasons for not acting. Nowhere to hide!

# How to Help

- Go to <http://www.canada.gc.ca> to find your MP.
  - Select your language and then on the left side – 11 items down you will see “Contact your MP”.
  - Click on by postal code or by name and find them.
  - Get the name, address, email and phone numbers.
- Download the “How to - Fix BIA Now” Guide
  - Fix BIA Now Campaign documents are at:  
<http://groups.yahoo.com/groups/ismymoneysafe>
  - Anyone wanting to join the Fix BIA Now Campaign from Nortel or any other company, can join this Yahoo Group and participate in the message board there.

NRPC & LinkedIn Group for Recently Severed Canadian Nortel Employees  
Support the FIX BIA Now Campaign on Their Websites

# Petition to Change BIA



- A petition is available and requires your signature; it was created to educate and inform *all* Canadians the need for the change; not just Nortel related
- Petition speaks of the changes and impacts to the people
- Seeking to have it put forward in the House of Commons
- **Action: Sign the petition and tell your friends to sign. Discuss with your MP the petition and the significance of the change**

<http://tinyurl.com/ChangeCCAAPetition>

# Contact your MP

- Follow the instructions from the guide and tell them the BIA amendment you want and ask them to use the Investment Canada Act authority to allocate foreign sale proceeds to Canadian pensioners, disabled and severed employees.
- If they ask for more information, provide them the “Fix BIA Now” document also available at the websites – it explains everything clearly and consistently.
- Ask for follow-up. Check back often.
- **Finally – send it to everyone you know – we need to get the word out and have them call too!**
- Sign the petition asking for this amendment at:  
<http://www.petitionvoice.com/petitiondetails.php?id=change-ccaa-to-protect-the-people>

Find same petition at:

<http://groups.yahoo.com/groups/ismymoneysafe>

# You can also attend the CCAA court proceedings to listen in

- Presence in the court room shows you care about the outcome.  
**Canada Life Building**  
**Toronto Courthouse**  
330 University Ave.  
Courtroom 8-1  
Toronto, ON M5G 1R7
- Next court date is on Thursday, July 9th
  - On Interim Funding and Settlement Agreement (reducing cash into Nortel Canada), Nokia Siemens Networks Stalking Horse Bid & Auction of Nortel Wireless Equipment Business.
  - Start time usually is 10 a.m.
- Website for court motions, etc.
  - <http://documentcentre.eycan.com/Pages/Main.aspx?SID=89&Redirect=1>

# QUESTIONS & ANSWERS

**Questions read by Jonathane Ricci  
National Class Actions  
jricci@NationalClassActions.ca**

**Thank you to Henry Juroviesky of Juroviesky and Ricci LLP  
for the use of their boardroom and telecom facilities.  
<http://www.jruslaw.com/>**

# Nortel Networks

## Defined Benefit Pension Plans

### (Non-Negotiated and Negotiated Plans)

Canadian \$ Millions		2008	2006
Wind-up Assets	Estimate	2,800	3,520
Wind-up Liabilities	Estimate	4,000	4,033
Deficit/Surplus	Estimate	-1,300	-514
Transfer Commuted Value		69%	87%

Some employees continued to accrue service under these plans until Jan 1, 2008 when almost everyone was converted to a “DC” Plan.

## **Will Pension Plans' Commuted Value Decline Again?**

- In the normal course, an updated actuarial report for the plans is required to be completed as of December 31, 2009, and filed before September 30, 2010.
- Any change to funding requirements and the Transfer Ratio will take effect on filing that report.
- So, barring another court order, the Transfer Ratio is unlikely to change again until the 2nd or 3rd quarter of 2010.

# What is the PBGF and how can it impact my pension?

- The Pension Benefits Guarantee Fund (“PBGF”) is a fund administered by the Superintendent of FSCO to provide minimal support for Ontario pensioners of wound up pension funds.

## EXAMPLE

Member retired 3 years ago with a monthly pension of \$2200, and the Pension Plan is only funded at 72% on wind-up

- On the first \$1000 of pension income

Pension Fund pays	\$ 720
PBGF pays	\$ 280
- On the next \$1200

Pension Fund pays	<u>\$ 864</u>	
Total Reduced pension	\$ 1864	or CV = 84%

# Other Nortel Retirement Income Plans

- “Unfunded Plans” include the “TRA”, “RAP” and “Excess” Plans loss of up to -90%
- Defined Contribution Plans - the Balanced, Investor and Savings Plans - administered by SunLife are unaffected