

**PENSION PLAN SURPLUS AND IMPLEMENTATION AGREEMENT**

**Made as of the 24th day of September, 2014**

**A M O N G:**

**MANITOBA TELECOM SERVICES INC. and MTS INC.**

**(Hereinafter, "MTS")**

**– and –**

**TELECOMMUNICATIONS EMPLOYEES ASSOCIATION OF MANITOBA INC. — INTERNATIONAL FEDERATION OF PROFESSIONAL & TECHNICAL ENGINEERS, LOCAL 161 (FORMERLY TELECOMMUNICATION EMPLOYEES ASSOCIATION OF MANITOBA INC.) ("TEAM"), THE INTERNATIONAL BROTHERHOOD OF ELECTRIC WORKERS, LOCAL UNION 435 ("IBEW"), and UNIFOR LOCAL 7 (FORMERLY THE COMMUNICATIONS, ENERGY AND PAPERWORKERS UNION OF CANADA, LOCAL 7) ("UNIFOR")**

**(Hereinafter, the "Unions")**

**– and –**

**THE TELEPHONE RETIREES ASSOCIATION OF MANITOBA**

**(Hereinafter, "TRAM")**

**– and –**

**LARRY TRACH on his own behalf and on behalf of all unionized employees of Manitoba Telecom Services Inc., MTS Communications Inc., MTS Mobility Inc. and MTS Advanced Inc. and all unionized employees of MTS Media Inc. who were transferred to Yellow Pages Group Co. pursuant to a sale on October 2, 2006**

**– and –**

**HARRY RESTALL, on his own behalf and on behalf of certain retired employees or the Widows/Widowers thereof of Manitoba Telecom Services Inc., MTS Communications Inc., MTS Mobility Inc. and MTS Advanced Inc.**

**(Hereinafter, the "Representatives")**

**WHEREAS** the parties have an interest in and (excepting TRAM) are parties to the litigation known as *Telecommunication Employees Association of Manitoba Inc. et al. v. Manitoba Telecom Services Inc., et al.* (Court of Queen’s Bench File No. 99-01-14589) (the “**Litigation**”) concerning entitlement to a pension surplus (the “**Surplus**”) in the Manitoba Telecom Services Inc. and Participating Subsidiaries Employee Pension Plan, OSFI Reg. 56972) (the “**Plan**”) that arose from the privatization of Manitoba Telephone System on January 1, 1997 and the transfer of pension assets and liabilities from the pension fund under *The Civil Service Superannuation Act* to the new pension fund held in respect of the Plan;

**AND WHEREAS** the Court of Queen’s Bench issued judgment in favour of the plaintiff Unions and the Representatives (the “**plaintiff parties**”) pursuant to the judgment of Bryk J. dated March 9, 2010 (the “**Trial Judgment**”), which was upheld by the Supreme Court of Canada in its judgment dated January 30, 2014 (SCC File No. 34763) (the “**SCC Judgment**”), in which the Court ordered that the “plaintiffs will receive payment from the defendants, in the amount of \$43,343,000.00 plus interest at the New Plan rate of return since January 1, 1997, to date of payment, which is to be used to enhance pension benefits on the understanding that the enhanced benefits will not result in an increase of the defendants’ costs” (Trial Judgment, para. 2);

**AND WHEREAS** the Courts directed the parties to “negotiate utilization of the [Surplus] and arrive at a mutually agreeable implementation process” (Trial Judgment, para. 3);

**AND WHEREAS** the parties and their counsel met on July 10 and 11 and August 7 and 8, 2014 and subsequently by telephone to satisfy the Courts’ direction, with the assistance of Mr. Ari Kaplan, who was retained by the Plan on behalf of the parties to give various legal opinions on these implementation issues, and with actuarial support from the Plan actuary, Towers Watson (the “**Plan Actuary**”) and the actuary retained by the plaintiffs, Mr. Tom Levy of Segal Consulting (the “**Plaintiffs’ Actuary**”);

**AND WHEREAS** the parties have negotiated a settlement concerning the Surplus and have reached an agreement, the terms of which are set out in this Pension Surplus and Implementation Agreement (the “**Agreement**”), which is intended to satisfy the Courts’ directions and be a full and final settlement of all issues associated with the Litigation; the parties state that this Agreement represents a fair and reasonable settlement of the Litigation and is equitable to and in the interests of Plan stakeholders;

**NOW THEREFORE, IN CONSIDERATION OF** their mutual covenants, and for good and valuable consideration, the parties agree as follows:

**A. Definitions**

1. The following definitions apply in this Agreement:
  - (a) “**Active Member**” means a person who is an active employee earning benefits in the Plan;
  - (b) “**Active Member Surplus Pool**” means the pool of Distributable Surplus allocable to Active Members;

- (c) “**Agreement**” means this Pension Surplus and Implementation Agreement;
- (d) “**Applicable Law**” means the laws of the Province of Manitoba and the laws of Canada applicable herein including any applicable statute;
- (e) “**Beneficiary**” means a beneficiary of a Member including a surviving spouse receiving a survivor pension, an ex-spouse receiving a split pension pursuant to a family law order or a designated or other beneficiary receiving a guaranteed benefit, death benefit or any other payment from the Plan;
- (f) “**Cashed-Out Member**” means an Exited Member including any ex-spouse who elected to withdraw their benefits from the Plan;
- (g) “**Certificate of Completion**” means the certificate jointly filed with the Court described at para. 28;
- (h) “**Committee**” means the Surplus Implementation Committee;
- (i) “**Court Approval**” means when the Court has given a final Settlement Order, following the expiry of any applicable appeal period or, where an appeal has been taken, final resolution of that appeal;
- (j) “**Deceased Member**” means an Exited Member (and if the context requires may include another Member) who is deceased and there is no survivor or other death benefit payable from the Plan in respect of that Member;
- (k) “**Deferred Member**” means an individual who is a deferred vested member of the Plan and is entitled to a deferred pension from the Plan;
- (l) “**Deferred Member Surplus Pool**” means the pool of Distributable Surplus allocable to Deferred Members;
- (m) “**Distributable Surplus**” means the amount of Surplus available for distribution pursuant to this Agreement and is equal to One Hundred and Forty Million Dollars (\$140,000,000.00), as at June 30, 2014, plus Interest through to and until the Settlement Order Date, minus Surplus Expenses;
- (n) “**Distributed Surplus**” means the amount of Distributable Surplus which has been distributed and includes the actuarial equivalent of a pension increase, where applicable;
- (o) “**Distribution Date**” means such date or dates on which Individual Surplus Payments are made to members of the Distribution Group;
- (p) “**Distribution Group**” means those Members of the Surplus Sharing Group who are entitled to an Individual Surplus Payment pursuant to the Settlement Order;
- (q) “**Estate**” means the estate of any Member;

- (r) “**Exited Member**” means a person with benefits in the Plan on January 1, 1997 or who joined the Plan after that date and who has since left the Plan and has no remaining benefit entitlement in the Plan;
- (s) “**Exited Member Surplus Pool**” means the pool of Distributable Surplus allocable to Exited Members;
- (t) “**Final Completion**” means the completion of all transactions contemplated or required by this Agreement and the Settlement Order;
- (u) “**IBEW**” means the International Brotherhood of Electric Workers, Local Union 435;
- (v) “**IBEW Member**” means an Active Member represented in employment by IBEW as at January 1, 2014;
- (w) “**Identified Non-Vested Member**” means a Non-Vested Member who has been identified pursuant to para. 11 and is entitled to an Individual Surplus Payment;
- (x) “**Inactive Member**” means a Deferred Member, Retired Member or Beneficiary;
- (y) “**Inactive Member Surplus Pool**” means the **Retired Member Surplus Pool** and the **Deferred Member Surplus Pool**;
- (z) “**Individual Surplus Allocation**” means the proportionate allocation of Surplus to a Member pursuant to the methodology and assumptions described in **Appendix “B”**;
- (aa) “**Individual Surplus Payment**” means the form of payment of Distributable Surplus to a Member on account of an Individual Surplus Allocation, as further described at paras. 7-11;
- (bb) “**Interest**” means 2% fixed interest per annum on and after July 1, 2014;
- (cc) “**ITA**” means the *Income Tax Act* (Canada);
- (dd) “**Litigation**” means the proceeding known as *Telecommunication Employees Association of Manitoba Inc. et al. v. Manitoba Telecom Services Inc., et al.* (Court of Queen’s Bench File No. 99-01-14589);
- (ee) “**Located Member**” means a Member of the Distribution Group who is located as described in para. 19;
- (ff) “**Member**” means an Active Member, Inactive Member, or Exited Member;
- (gg) “**Member Consultant**” means the independent tax consultant described at para. 16;

- (hh) “**Member Election Period**” means the take up period during which a Member may make an election concerning payment of an Individual Surplus Payment;
- (ii) “**Member Notice**” means the communication package describing the terms of this Agreement to Members as explained in para. 13 ;
- (jj) “**Member Notice Program**” means the program for notifying Members of the terms of this Agreement and includes the Member Notice, Member Statement, Newspaper Notice and materials presented at a Member Roadshow;
- (kk) “**Member Statement**” means the individualized statement setting out an estimate of a Member’s Individual Surplus Allocation as described in para. 14 ;
- (ll) “**Member Roadshow**” means one or more meetings scheduled to describe the Agreement to Members in person on October 7, 8, 9, 14, 15 or 16, 2014, as described in para. 16 ;
- (mm) “**MTS**” means Manitoba Telecom Services Inc. and MTS Inc.;
- (nn) “**Newspaper Notice**” means a newspaper advertisement describing the principal features of the Member Notice, as described in para. 15 ;
- (oo) “**Non-Union Member**” means an Active Member who is not represented in employment by a Union;
- (pp) “**Non-Vested Member**” means an Exited Member who was not vested in a benefit from the Plan upon termination of employment and who received a refund of their employee contributions;
- (qq) “**Non-Vested Member Surplus Pool**” means the \$200,000 pool of Distributable Surplus allocable to Non-Vested Members;
- (rr) “**Opt-In Period**” means the 60 day period commencing from the Settlement Hearing Date within which a Non-Vested Member may become an Identified Non-Vested Member;
- (ss) “**PBSA**” means the *Pension Benefits Standards Act, 1985 (Canada)*;
- (tt) “**Plaintiffs’ Actuary**” means Tom Levy of The Segal Group;
- (uu) “**Plaintiff parties**” means the Unions and the Representative parties to the Litigation;
- (vv) “**Plan**” means the Manitoba Telecom Services Inc. and Participating Subsidiaries Employee Pension Plan, OSFI Reg. 56972;
- (ww) “**Plan Actuary**” means Towers Watson, the actuaries for the Plan;

- (xx) “**Plan Amendment**” means one or more Plan amendments to be made by MTS as more particularly described in **Appendix “C”**;
- (yy) “**Representatives**” means Larry Trach, on his own behalf and on behalf of all unionized employees of Manitoba Telecom Services Inc., MTS Communications Inc., MTS Mobility Inc. and MTS Advanced Inc. and all unionized employees of MTS Media Inc. who were transferred to Yellow Pages Group Co. pursuant to a sale on October 2, 2006, and Harry Restall, on his own behalf and on behalf of certain retired employees or the Widows/Widowers thereof of Manitoba Telecom Services Inc., MTS Communications Inc., MTS Mobility Inc. and MTS Advanced Inc.;
- (zz) “**Retired Member**” means a retiree receiving a pension from the Plan;
- (aaa) “**Retired Member Surplus Pool**” means the pool of Distributable Surplus allocable to Retired Members and Beneficiaries;
- (bbb) “**RRSP Transfer**” means that portion of all or some of an Individual Surplus Payment paid directly into an individual or group registered retirement savings plan;
- (ccc) “**SCC Judgment**” means the judgment of the Supreme Court of Canada dated January 30, 2014 issued in the Litigation (SCC File No. 34763);
- (ddd) “**Settlement Hearing Date**” means November 3, 2014 or such other date that the parties intend to return to the Court to seek the Settlement Order;
- (eee) “**Settlement Order**” means a Court order that approves and incorporates the terms of this Agreement, orders that the Agreement is valid and binding on the parties and on all Members, and orders that the Surplus be distributed in accordance with the Agreement, and may include such other terms as are necessary, desirable and acceptable to the parties for the purpose of implementing the Agreement;
- (fff) “**Settlement Order Date**” means the date on which the Court gives the Settlement Order;
- (ggg) “**Substantial Completion**” means the completion of the distribution of substantially all of the Distributable Surplus to Located Members;
- (hhh) “**Substantial Completion Date**” means the date on which Substantial Completion occurs;
- (iii) “**Surplus**” means the pension surplus in the Plan that arose from the privatization of Manitoba Telephone System on January 1, 1997 and the transfer of pension assets and liabilities from the pension fund under *The Civil Service Superannuation Act* to the new pension fund held in respect of the Plan;

- (jjj) “**Surplus Expenses**” are the expenses to be deducted from the Distributable Surplus as described in para. 29;
- (kkk) “**Surplus Implementation Committee**” means the committee overseeing the implementation of this Agreement described in para. 24;
- (lll) “**Surplus Sharing Group**” means all persons who have participated or have had a benefit in the Plan since January 1, 1997;
- (mmm) “**TEAM**” means the Telecommunications Employees Association of Manitoba Inc. — International Federation of Professional & Technical Engineers, Local 161 (formerly Telecommunication Employees Association of Manitoba Inc.);
- (nnn) “**TEAM Member**” means an Active Member represented in employment by TEAM as at January 1, 2014;
- (ooo) “**TRAM**” means the Telephone Retirees Association of Manitoba;
- (ppp) “**Trial Judgment**” means the judgment of Bryk J. dated March 9, 2010 issued in the Litigation;
- (qqq) “**Unifor**” means Unifor Local 7 (formerly the Communications, Energy and Paperworkers Union of Canada, Local 7);
- (rrr) “**Unifor Member**” means an Active Member represented in employment by Unifor as at January 1, 2014;
- (sss) “**Union**” means IBEW, TEAM or Unifor;
- (ttt) “**Unlocated Member**” means a Member of the Distribution Group who is not a Located Member;
- (uuu) “**Undistributed Surplus**” means the amount of Distributable Surplus which has not been distributed; and
- (vvv) “**Waived Amounts**” has the meaning set out in para. 9.

## **B. Settlement Approval**

2. The Agreement is subject to Court Approval. The parties will return before the Court on or about November 3, 2014 (the “**Settlement Hearing Date**”). The parties will seek, support and submit a draft of a Court order (the “**Settlement Order**”) that approves and incorporates the terms of this Agreement, orders that the Agreement is valid and binding on the parties and on all Members and that the Surplus be distributed in accordance with the Agreement. The Settlement Order may include such other terms as are necessary, desirable and acceptable to the parties for the purpose of implementing the Agreement. For greater certainty, no person is entitled to any payment under the Agreement unless and until there is Court Approval pursuant to the Agreement.

### **C. Surplus Calculation**

3. The amount of Surplus available for distribution (the “**Distributable Surplus**”) is equal to One Hundred and Forty Million Dollars (\$140,000,000.00), as at June 30, 2014, plus 2% fixed interest per annum on the Distributable Surplus accruing on and after July 1, 2014 (the “**Interest**”) through to and until the date of the Settlement Order (the “**Settlement Order Date**”) and as otherwise described herein, minus “**Surplus Expenses**” (as defined herein). The calculation of the Distributable Surplus is intended to satisfy the Courts’ direction to MTS to make available “the amount of \$43,343,000.00 plus interest at the New Plan rate of return since January 1, 1997, to date of payment” (Trial Judgment, para. 2). The calculation is a negotiated compromise on various positions for determining the Plan’s “rate of return”. The parties agree that the Surplus is referenceable as at January 1, 2014 in the amount of approximately \$135,146,406.00, i.e. the amount certified by the Plan Actuary that the Surplus earned at the Plan rate of return since its inception on January 1, 1997 as reported in the Plan’s actuarial valuation as at January 1, 2014. The parties agree to a Surplus interest amount of approximately \$4,853,594.00, making \$140,000,000.00 available as at July 1, 2014. The parties agree that the Plan rate of return on and after July 1, 2014 will be based on Interest, in acknowledgment that the Surplus has crystallized and is to be distributed in accordance with the Agreement.

### **D. Surplus Sharing Group**

4. All persons who have participated or have had a benefit in the Plan since January 1, 1997 (the “**Surplus Sharing Group**”) will be eligible to receive a share of Surplus. The Surplus Sharing Group includes a person (a “**Member**”) who is, as at the Settlement Order Date: (a) an active employee earning benefits in the Plan (“**Active Member**”) including non-unionized employees (“**Non-Union Members**”) and persons represented in employment by TEAM (“**TEAM Members**”), IBEW (“**IBEW Members**”), and Unifor (“**Unifor Members**”); (b) an inactive member of the Plan (an “**Inactive Member**”) including a deferred vested member who is entitled to a deferred pension from the Plan (“**Deferred Member**”), a retiree receiving a pension from the Plan (“**Retired Member**”) or a beneficiary of a Member including a surviving spouse receiving a survivor pension, an ex-spouse receiving a split pension pursuant to a family law order or a designated or other beneficiary entitled to a guaranteed benefit, or death benefit or any other payment from the Plan (a “**Beneficiary**”); and (d) a person with benefits in the Plan on January 1, 1997 or who joined the Plan after that date and who has since left the Plan and has no remaining benefit entitlement in the Plan (“**Exited Member**”) because they are deceased and there is no survivor or other death benefit payable (“**Deceased Member**”), they are former members or ex-spouses who have elected to withdraw their benefits from the Plan (“**Cashed-Out Member**”), or they were not vested upon termination of employment and received a refund of their employee contributions (“**Non-Vested Member**”). For greater certainty, an Exited Member is neither an Active Member nor an Inactive Member. A description of each category of Member and an estimate of the number of persons in each category as at January 1, 2014, as determined by the Plan Actuary, is set out in **Appendix “A”**.

### **E. Surplus Allocation**

5. Each Member will be allocated a proportionate share of Surplus (an “**Individual Surplus Allocation**”), adjusted to accommodate a minimum allocation of One Thousand Dollars



(\$1,000.00) to each Active Member, Inactive Member and Exited Member other than a Non-Vested Member and for greater certainty the minimum allocation is shared between two persons where one is a former spouse entitled to a benefit derived from the entitlement of a Member. The methodology and assumptions used for determining Individual Surplus Allocations and an estimate of the amount of Distributable Surplus allocable to each category of Member (a “**Member Surplus Pool**”) is as determined by the Plan Actuary and the Plaintiffs’ Actuary and as further described in **Appendix “B”**. Each Non-Vested Member will be eligible for an Individual Surplus Allocation of up to \$500.00, as further described herein. The aggregate of the Individual Surplus Allocations allocable to Active Members is referred to as the “**Active Member Pool**” and corresponding meanings are given to the terms **Deferred Member Pool, Retired Member Pool, Exited Member Pool and Non-Vested Pool**.

6. Individual Surplus Allocations will be determined based on the Member’s category status on January 1, 2014. Each Member is allocated one Individual Surplus Allocation, and for greater certainty, is not entitled to multiple Individual Surplus Allocations in the event the Member has multiple periods of service, in which case the Member will have his or her Individual Surplus Allocation determined on the basis of the combined service. The exception to this is if a Member is also a Beneficiary in respect of another Member’s period of Plan service, in which case, that Member is allocated two Individual Surplus Allocations.

#### **F. Surplus Payment**

7. The form of payment to eligible Members on account of an Individual Surplus Allocation (an “**Individual Surplus Payment**”) takes into account the SCC’s direction (at para. 89) that, “In the course of negotiations, parties should bear in mind any applicable restrictions imposed by the *ITA [Income Tax Act]* and the *PBSA [Pension Benefits Standards Act, 1985 (Canada)]*. Any negotiated arrangement — be it recording a liability in favour of plan members ... or some other solution — must comply with these restrictions”.

8. The form of Individual Surplus Payment will be based on the Member’s category status on August 31, 2014. Individual Surplus Payments will be subject to applicable withholdings by MTS or the Plan as may be required under the ITA and are subject to any other approvals, restrictions or limitations imposed or required by Applicable Law including under the ITA or the PBSA. In the event the parties learn of a restriction or limitation that results in it being impracticable or not possible to make an Individual Surplus Payment in the form described herein, the parties will in good faith renegotiate and revise that term of the Agreement applicable to the Individual Surplus Payment and for greater certainty this obligation continues after the Settlement Order Date. Individual Surplus Payments made from the Plan’s pension fund will be funded by MTS in accordance with the PBSA and its obligation as an employer, in accordance with generally accepted actuarial practice and subject to any funding requirements imposed under the PBSA or ITA. MTS or the Plan, as applicable, will issue to Members any ITA slips as may be required and Members will be advised to file their taxation returns or any adjustments thereto as may be required on account of their receipt of an Individual Surplus Payment.

9. Active Members are entitled to an Individual Surplus Payment from the Active Member Pool in the form of a lump sum cash payment, payable by MTS from outside of the Plan, subject to Active Members being given an option to have all or a part of their Individual Surplus

Payment paid directly into an individual RRSP or group RRSP administered by MTS (an “**RRSP Transfer**”). MTS will make an RRSP Transfer only where a Member provides satisfactory confirmation of eligible contribution room. MTS hereby represents and warrants that four of its executive officers (namely Pierre Blouin, Wayne Demkey, Kelvin Shepherd and Paul Beauregard), each of whom would otherwise have been an Active Member, have irrevocably waived any and all amounts to which they may have otherwise been entitled to receive under this Agreement (the “**Waived Amounts**”). MTS hereby covenants that it shall directly pay the Waived Amounts to one or more registered charities supported by MTS. MTS shall provide evidence of this payment to the other parties hereto, upon which the Waived Amounts shall be deemed to form part of the Distributable Surplus that has been distributed. This provision with respect to Waived Amounts is severable (including, for greater certainty, at the option of MTS). In the event any Member suffers any consequence as a result of the Waived Amounts, MTS will indemnify and hold harmless all such affected Members.

10. Retired Members and Beneficiaries are entitled to an Individual Surplus Payment from the Retired Member Surplus Pool in the form of a Plan benefit upgrade from the Plan’s pension fund in such manner described by the Plan Actuary and agreed to by the Plaintiffs’ Actuary in **Appendix “C”**. These Individual Surplus Payments will be authorized pursuant to one or more Plan amendments to be made by MTS (the “**Plan Amendment**”), payable as a lump sum cash payment on account of a retroactive benefit upgrade or a pension increase going forward or a combination thereof, subject to Retired Members and Beneficiaries being given an option to receive all or a portion of any future pension increase as an immediate lump sum. Deferred Members and Exited Members are entitled to an Individual Surplus Payment from their respective Member Surplus Pools pursuant to the Plan Amendment in the form of a lump sum cash payment from the Plan. Individual Surplus Payments contemplated by this section are subject to registration of the Plan Amendment with the applicable regulatory agencies.

11. Non-Vested Members will be eligible to receive an Individual Surplus Payment payable from the Non-Vested Pool. The Non-Vested Pool is fixed and equal to Two Hundred Thousand Dollars (\$200,000.00) and does not accrue Interest. A Non-Vested Member is entitled to an Individual Surplus Payment if the Non-Vested Member identifies himself or herself to the Plan (an “**Identified Non-Vested Member**”) no later than within 60 days after the Settlement Hearing Date (the “**Opt-In Period**”). Identified Non-Vested Members are entitled to an Individual Surplus Payment equal to Five Hundred Dollars (\$500.00), and this amount is subject to pro ration in the event the aggregate payments calculated on account of the number of Identified Non-Vested Members exceed the amount in the Non-Vested Pool. For greater certainty, if there are more than 400 Identified Non-Vested Members (i.e.  $400 \times \$500.00 = \$200,000.00$ ), each Non-Vested Member’s Individual Surplus Payment will be reduced and pro-rated so as to not increase the size of the Non-Vested Pool. Any Non-Vested Member who is not an Identified Non-Vested Member after the expiry of the Opt-In Period will not be entitled to any Individual Surplus Payment and for greater certainty that Non-Vested Member’s entitlement to any share of the Surplus is extinguished and the Non-Vested Member has no claim to any of the Surplus. Any funds remaining in the Non-Vested Pool net of all Individual Surplus Payments to Identified Non-Vested Members will form part of the remaining Distributable Surplus.

### **G. Surplus Notice**

12. The parties will support a program for notifying Members of the terms of the Agreement (the “**Member Notice Program**”) in advance of the Settlement Hearing Date, as described herein. MTS will be responsible for the Member Notice Program in consultation with the other parties.

13. (a) The Plan will transmit to Members other than Non-Vested Members a Member communication package describing the terms of the Agreement (the “**Member Notice**”) at least 30 days before the Settlement Hearing Date by regular pre-paid post or direct courier delivery to the last-known address of the Member for whom contact information is available in the records of the Plan administrator. The Member Notice will include a reporting letter that has been approved by the parties that (a) describes the principal terms of the Agreement; (b) advises Members of the estimated amount of Distributable Surplus and Surplus Expenses including a breakdown, manner and pro ration of payment of counsel fees including such proportion that is being sought on account of success in the Litigation; (c) informs Members of the Settlement Hearing Date and that the parties intend to seek Court Approval for a Settlement Order that includes a representation order that binds all Members and parties to the settlement; (d) invites Members to one of a number of Member Roadshows (as described below); and (e) advises Members that they can contact the Plan through a toll-free hotline, email and website, or contact any of the parties directly if they have any questions concerning the Agreement.

(b) The Member Notice will also advise the members of the Court Hearing date and that, subject to approval of the Court or subject to any limitations the Court may impose in its discretion, any Member may address the Court with respect to any aspect of the Agreement, including the counsel fee requested in paragraph 29(c)(v) of this Agreement, provided that MTS is formally notified prior to October 27, 2014 of the Member’s intention to address the Court.

14. The Member Notice will include an individualized statement (the “**Member Statement**”) that sets out an estimate of the Member’s Individual Surplus Allocation and any options for receiving an Individual Surplus Payment (e.g. lump sum, benefit upgrade, RRSP Transfer) and will advise the Member concerning any default form of payment, how to make an election with respect to any option and the take up period during which an election can be made (the “**Member Election Period**”).

15. The Plan will publish a newspaper advertisement describing the principal features of the Member Notice (the “**Newspaper Notice**”), which will include notice of the Opt-In Period applicable to Non-Vested Members, at least 15 days before the Settlement Hearing Date, in editions of The Winnipeg Free Press and The Globe and Mail (national edition). MTS may publish the Newspaper Notice in additional publications, the total cost of which as a Surplus Expense will not exceed \$5,000.00 without the approval of the Surplus Implementation Committee (described in paragraph 24).

16. MTS will organize and hold a number of meetings (“**Member Roadshows**”) to describe the Agreement to Members in person, not later than two weeks before the Settlement Hearing Date. Members will be invited to and may attend a Member Roadshow scheduled for Active Members and for Inactive Members, as applicable. The Member Roadshows will include a

presentation by Mr. Kaplan and the Plan Actuary. Representatives of parties and third party professionals retained in connection with the Agreement may also attend and speak at the Member Roadshows. Nothing in this Agreement precludes TRAM or a Union from holding a meeting with its respective members concerning the Agreement. The parties will not offer Members any financial advice or tax advice whatsoever. However the Plan will retain an independent tax consultant (the “**Member Consultant**”) who will answer general taxation questions at the Member Roadshows.

#### **H. Surplus Distribution**

17. The draft of the Settlement Order submitted to the Court will authorize MTS and the Plan to make the payments contemplated in the Agreement and will include a term that the parties are, effective at the Settlement Order Date, and subject to implementing the Agreement, released and fully discharged from any and all liability in respect of any act or omission with respect to the Surplus, the negotiation of the Agreement, and any and all claims associated with the Litigation including with respect to any matters raised or which could have been raised in the course of the Litigation up to the Settlement Order Date. Upon Court Approval, the parties hereby release each other from all such liability and claims arising in the Litigation save and except for the parties’ obligations arising under the Settlement Order.

18. Forthwith following Court Approval, MTS will make a final determination and accounting of the amount of Distributable Surplus and will prepare to make Individual Surplus Payments to Members who are entitled to share in the Surplus as a result of the Settlement Order (the “**Distribution Group**”), and the distribution will be made on such date or dates to be determined and as further described herein (the “**Distribution Date**”). For greater certainty, a Member of the Surplus Sharing Group is entitled to an Individual Surplus Payment only if the Member is part of the Distribution Group pursuant to the Settlement Order.

19. It is anticipated that there will be Members of the Distribution Group who will not be located or identified on the Distribution Date. A Member of the Distribution Group will be considered located (a “**Located Member**”) if the Member, at the time a determination is required, is (a) an Active Member on MTS’ payroll; (b) a Retired Member or Beneficiary receiving a pension or benefit from the Plan; (c) an Identified Non-Vested Member; or (d) a Member whose valid address and identity are otherwise known or satisfactorily confirmed to the Plan by the Member (or authorized representative) in writing. A Member of the Distribution Group will be considered not located (an “**Unlocated Member**”) if, at the time of the Distribution Date or at such time as a determination is required, the Member is not a Located Member. For greater certainty, no Member is entitled to any Individual Surplus Payment unless and until the Member is a Located Member and no Unlocated Member has any entitlement to any Distributable Surplus, except as provided in this Agreement.

20. MTS and the Plan will make the Individual Surplus Payments on the Distribution Date to Located Members in accordance with any elections made during the Member Election Period and where no election is made by a Member the Individual Surplus Payment will be made in accordance with the default payment method described in the Member Notice Program. Where an Individual Surplus Payment is made but not received by the Member because the funds were returned to the Plan or is otherwise not cashed or deposited within six months of the Distribution

Date, that Member will be considered an Unlocated Member and for greater certainty this applies notwithstanding that the Member was a previously a Located Member.

21. MTS and the Plan will use all commercially reasonable efforts to complete the distribution of substantially all of the Distributable Surplus to Located Members (“**Substantial Completion**”), including all of the Active Member Surplus Pool and all of the Non-Vested Member Surplus Pool, within the following periods:

<i>Court Approval</i>	<i>Substantial Completion Date</i>
On or before December 1, 2014	Within 90 days
Between December 1 and 31, 2014	Within 60 days
On or after December 31, 2014	Within 50 days

In the event that the Substantial Completion Date is not completed within these time frames because MTS and/or the Plan did not use all commercially reasonable efforts to make such payments (which would exclude factors such as illegality and force majeure events), then the Distributable Surplus will be increased and accrue Interest (at the rate of 2% per annum) from the Settlement Order Date through to the first day of the month in which Substantial Completion occurs.

22. If, at the Distribution Date, any Member of the Distribution Group is deceased (and for greater certainty this includes a Deceased Member), the Individual Surplus Payment will be made to the Member’s Estate or authorized representative, as applicable, and the draft of the Settlement Order will permit the executor or administrator of the Estate to instruct MTS or the Plan, as the case may be, to make the Individual Surplus Payment directly to one or more Estate beneficiaries. MTS or the Plan will make such payment in accordance with those instructions and will be fully indemnified by the executor or administrator, as the case may be. For greater certainty, an Individual Surplus Payment made to an Estate will be a lump sum payment.

23. MTS will notify the parties that it has made Substantial Completion by providing a schedule setting out a summary of (a) the Located Members who have received their Individual Surplus Payments; (b) the Unlocated Members who have not received their Individual Surplus Payments; (c) the amount of Distributable Surplus which has been distributed (including the actuarial equivalent of a pension increase, where applicable) (“**Distributed Surplus**”); and (d) the amount of Distributable Surplus which has not been distributed (“**Undistributed Surplus**”), and this schedule will be updated quarterly and circulated to the parties. MTS and the Plan are entitled to reduce Plan liabilities associated with all Distributed Surplus.

**I. Post-Distribution Implementation**

24. The parties will establish a committee (the “**Surplus Implementation Committee**”, or “**Committee**”) consisting of all members of the MTS Pension Committee except for the Chairman of the Pension Committee. The Committee will oversee the implementation of the

Agreement and, after Court Approval, the Settlement Order. The Committee will meet from time to time and no less than monthly (unless otherwise agreed to by the Committee) to discuss and determine any implementation issues requiring attention. The Committee may meet telephonically or in person provided there is at least one in-person meeting per quarter during the first year after Substantial Completion. Members of the Surplus Implementation Committee will be compensated for their reasonable time off work and disbursements to undertake Committee activities, which will be a Surplus Expense.

25. If the Surplus Implementation Committee cannot agree on any implementation issue or an interpretation or application of the Agreement and, after Court Approval, the Settlement Order, the Committee will work in good faith to resolve the matter, subject to the Court being seized of the matter pursuant to para. 32.

26. The Plan will be responsible and will expend reasonable efforts to work toward locating Unlocated Members, subject to the costs of such activities being reviewed by the Surplus Implementation Committee.

27. Any Unlocated Member who becomes a Located Member will be entitled to receive their Individual Surplus Payment, without further Interest, as provided herein. The Plan will make the Individual Surplus Payment within 30 days of the Member becoming a Located Member and, after the payment is made, the Undistributed Surplus on account of that Member is considered Distributed Surplus. The Plan may defer payment by up to an additional 30 days for administrative purposes in the event there are multiple Individual Surplus Payments expected to be made during that period to newly Located Members.

28. Twenty-four (24) months after Substantial Completion, MTS will prepare a report with a financial reconciliation in support of a joint certificate with the agreement of the parties (the "**Certificate of Completion**"), which MTS will file with the Court, certifying that the parties have completed the payment of Surplus as contemplated by the Trial Judgment and have carried out all remaining transactions contemplated by this Agreement ("**Final Completion**") and that all Surplus has been paid or accounted for in accordance with the Settlement Order. Upon Final Completion and in particular the filing of the Certificate of Completion,

- (a) any Undistributed Surplus on account of Unlocated Members who are Retired Members, Beneficiaries or Deferred Members will continue to be accounted for and held by the Plan in trust for such Members until such time as they become Located Members, upon which time, the Plan administrator will make payment of those Individual Surplus Payments as soon as is reasonably practicable, and this will solely be the responsibility of the Plan and of no other party;
- (b) any claim on account of Undistributed Surplus in relation to Unlocated Members who are Exited Members (including Deceased Members and Cashed-Out Members) is extinguished and those Members are confirmed to have not been entitled to any Surplus under Applicable Law including under this Agreement, the Trial Judgment and the SCC judgment and the Undistributed Surplus that otherwise may have been allocable to those Members will be distributed in accordance with the direction of the Surplus Implementation Committee;

- (c) the mandate of the Surplus Implementation Committee will be completed; and
- (d) the parties hereby release and fully discharge each other, and will seek same in the Settlement Order, from any and all liability in respect of any act or omission with respect to implementing the Agreement and with respect to any matters raised, or which could have been raised, in the course of implementing the Agreement or the Settlement Order including but not limited to any matters which were raised or which could have been raised by any person entitled to a share of Surplus after the Settlement Order Date and for greater certainty this release will be a final and full release covering all matters associated with all remaining aspects of the Litigation and the Agreement which were not covered by the release mentioned in para. 17.

#### **J. Costs and Expenses**

29. All reasonable implementation costs, fees and expenses incurred by the plaintiffs and TRAM in 2010 (the amount of which is equal to \$55,502.30) and on and after January 30, 2014 (“**Surplus Expenses**”) associated with settling the Litigation and in connection with the Agreement, other than as set out herein, will be paid from the Distributable Surplus and to the extent these expenses are incurred prior to Court Approval they will be deducted from the Surplus prior to determining the Distributable Surplus. Surplus Expenses include but are not limited to reasonable legal fees and consulting fees and other third party expenses and disbursements incurred by the parties for the purpose of negotiating, administering and implementing the Agreement, costs charged by the Civil Service Superannuation Board arising from the Agreement, employer payroll and health taxes incurred only as a result of the Individual Surplus Payments and not otherwise required to be paid by MTS as an employer, expenses associated with the Member Notice Program, Member Consultant and Surplus Implementation Committee, expenses incurred by administering any Undistributed Surplus, and other out-of-pocket costs and expenses incurred by MTS or the Plan in connection with processing and distributing the Surplus and locating affected Members including Unlocated Members. Surplus Expenses exclude expenses incurred by MTS for its legal advice and representation (except fees associated with legal advice to the Plan which would not have been incurred in the regular course, which are included), internal MTS costs and expenses other than out-of-pocket costs described herein including costs associated with the Member Roadshows, Plan Actuary fees unrelated to Plan administration (and for greater certainty Plan administration expenses do not include consulting fees in relation to MTS’s role as Plan sponsor), and expenses otherwise described herein which are to be paid or contributed to by a party. In addition:

- (a) MTS will contribute Two Hundred and Fifty Thousand Dollars (\$250,000.00) toward Expenses;
- (b) MTS will pay a lump sum stipend to the two individual representatives in the amount of One Hundred Thousand Dollars (\$100,000.00) to Mr. Restall and Fifty Thousand Dollars (\$50,000.00) to Mr. Trach, minus any applicable withholdings, on account of their time and efforts in connection with the Litigation;

(c) A counsel fee will be paid to D'Arcy & Deacon LLP in the amount of Two Million Seven Hundred Thousand Dollars (\$2,700,000.00) as follows:

- i. Two Hundred and Fifty Thousand Dollars (\$250,000.00) by MTS;
- ii. Two Hundred and Fifty Thousand Dollars (\$250,000.00) by TEAM;
- iii. One Hundred and Fifty Thousand Dollars (\$150,000.00) by IBEW;
- iv. Fifty Thousand Dollars (\$50,000.00) by Unifor;

and upon each such payment made in (i)-(iv) D'Arcy & Deacon LLP will provide a final release, releasing MTS, TEAM, IBEW and Unifor, as applicable, from any further claim for legal charges associated with the success in the Litigation; and

v. Subject to Court Approval:

(1) Two Million Dollars (\$2,000,000.00) will be paid out of the Distributable Surplus and proportionately deducted from the Retired Member Surplus Pool, Deferred Member Surplus Pool, Exited Member Surplus Pool and that proportion of the Active Member Surplus Pool allocable to Non-Union Members and no proportion of this fee will be paid from that proportion of the Active Member Surplus Pool allocable to TEAM Members, IBEW Members and Unifor Members.

(2) For greater certainty, IBEW and Unifor take no position on this fee, which does not affect current IBEW Members and Unifor Members, on the basis that the counsel fee is being disclosed to Members at this time and Members will have an opportunity to make representations about it should they wish, and this aspect of the Agreement is made solely by TEAM, TRAM, the Representatives and MTS (the "Counsel Fee Agreement") and is subject to approval by the Court. Members will be advised of the counsel fee in the Member Notice.

#### **K. General**

30. (a) No party may terminate this Agreement. If the Settlement Order contains terms which are inconsistent with the Agreement or otherwise unacceptable to a party because of such inconsistency, the parties shall seek a variation to the Settlement Order or will appeal from the Settlement Order to enforce the terms of this Agreement and for this purpose any party not participating in any such variation application or appeal will be deemed to take no position with respect to the subject matter of the variation application or appeal. If Court Approval is not obtained by December 31, 2014 the parties will in good faith work together to seek Court Approval as soon as reasonably possible and for this purpose may amend or modify the agreement in writing should it be necessary or desirable in the opinion of the parties for the purpose of obtaining Court Approval. If Court Approval is not obtained by the earlier of (a) June 30, 2015 and (b) the date all parties unanimously agree they will not secure Court Approval, then



any party may terminate the Agreement, in writing, at which point MTS will bring a motion to the Court naming the other parties as respondents and the parties will seek such relief as they consider necessary to implement the SCC Judgment and Trial Judgment.

(b) If Court Approval of paragraph 29(c)(v), the Counsel Fee Agreement, in whole or in part, is not obtained then the Agreement shall not be terminated for that reason alone; but it is agreed that the parties to the Counsel Fee Agreement retain any rights they or D'Arcy and Deacon LLP may have to appeal the decision of the Court concerning paragraph 29(c)(v). If an appeal is taken, then the parties agree that the Plan agrees to hold the \$2 million referenced in paragraph 29(c)(v) in trust, pending the decision of the Court of Appeal. If any such appeal is successful, the Plan will pay the amount awarded to D'Arcy Deacon LLP as counsel fee (to a maximum of \$2,000,000.00). If there is no such appeal, or the appeal is unsuccessful, the \$2,000,000.00 (or any remaining balance after payment of the approved counsel fee) will be distributed proportionately to the Members in the Retired Member Surplus Pool, Deferred Member Surplus Pool, Exited Member Surplus Pool and Active Member Surplus Pool allocable to Non-Union Members, in the same proportions as the amounts initially deducted to create the \$2,000,000.00 payment in the first place, subject to the minimum allocations mentioned in para. 5.

31. Nothing in the Agreement is intended to vary the trusts in respect of the Plan or its predecessor or any other existing pension obligations or rights not directly dealt with in the Agreement. To the extent the Settlement Order results in a variance or amendment of the trusts under the Plan it is strictly for the limited purpose of implementing the Agreement and the original trusts are restored for all other purposes.

32. The Court remains seized of any implementation issues arising from the Settlement Order not otherwise determined.

33. Nothing in the Agreement may be interpreted by any person, board or agency as affecting any right or obligation of a Union or MTS under a collective agreement and the Agreement does not amend or modify any applicable collective agreement.

34. The Agreement may be amended by written agreement of the parties prior to the Settlement Order Date. No waiver of any provision of the Agreement will be deemed or constitute a waiver of any other provision hereof nor will any such waiver constitute a continuing waiver unless expressly stated.

35. Each party has had the benefit of legal and actuarial advice in connection with the Agreement. The parties rely on the Plan to ensure the accuracy of all data and information provided to them subject to errors and omissions. Any party may challenge any data or information received upon reasonable grounds and for this purpose may provide support for the data or information being provided, if required by any party.

36. References in the Agreement to the masculine include the feminine and vice versa and references to the singular include the plural and vice versa as the context requires. Headings in the Agreement are for convenience of reference only and do not affect the interpretation of the Agreement.

37. The Agreement will be governed and construed in accordance with Applicable Law.

38. The Agreement is binding on and enures to the benefit of the parties hereto and their respective successors, assigns, heirs, administrators and executors.

39. The Agreement may be executed in any number of counterparts, each of which is deemed to be an original and all of which together constitutes one and the same instrument.

Executed at Winnipeg, Manitoba as of the date first written above.

## Appendix A

### Member Categories

Member categories will be determined based on the following definitions as at January 1, 2014 for purposes of determining Individual Surplus Allocations, and will be determined as at August 31, 2014 for purposes of determining payment options.

**Active Member:** a Plan member who is an active or disabled employee who continues to accrue benefits under the Plan. Active Member includes the following sub-categories:

- **Non-Union Members:** Active Members who are non-unionized employees
- **TEAM Members:** Active Members represented in employment by TEAM
- **IBEW Members:** Active Members represented in employment by IBEW
- **Unifor Members:** Active Members represented in employment by Unifor

**Inactive Member:** any of a Deferred Member, a Retired Member, a Beneficiary, a Deceased Member or a Cashed-Out Member.

**Deferred Member:** a former employee who terminated employment with a vested Plan benefit and who remains entitled to a pension from the Plan, but whose pension has not yet commenced to be paid.

**Retired Member:** a former employee who is receiving a pension from the Plan. For greater certainty, Retired Member includes members who retired from active employment and immediately began receiving a pension from the Plan as well as members who terminated employment with a deferred pension entitlement and whose pension has since commenced to be paid.

**Beneficiary:** the surviving spouse of a deceased Plan member who is currently receiving survivor pension payments; a former spouse of a Plan member who is receiving a pension pursuant to a family law order or separation agreement; or a designated beneficiary or estate entitled to the remaining guaranteed pension payments or other death benefit in respect of a deceased Plan member.

**Exited Member:** any of a Deceased Member, a Cashed-Out Member, or a Non-Vested Member.

**Deceased Member:** a member who died after pension commencement and in respect of whom no survivor or other death benefit is payable. For greater certainty, Deceased Member includes spouses of deceased members who were in receipt of survivor pensions following the death of the member and subsequently died with no further benefits payable.

**Cashed-Out Member:** a member who terminated employment or died prior to pension commencement and in respect of whom the lump sum value of a vested pension was paid from the Plan; or a former spouse of a member who received a lump sum payment in settlement of a division of pension pursuant to a family law order or separation agreement.

Non-Vested Member: a former employee who terminated employment prior to vesting in a pension benefit and who received a refund of his or her employee contributions to the Plan. For greater certainty, a Non-Vested Member is neither an Active Member nor an Inactive Member.

The following table provides the estimated number of members in each category as at January 1, 2014:

<b>Category</b>	<b>Estimated Count at January 1, 2014</b>
<b><u>Active Members</u></b>	
Non-Union Members	179
TEAM Members	1,076
IBEW Members	575
Unifor Members	<u>766</u>
<b>Total Active Members</b>	<b>2,596</b>
<b><u>Inactive Members</u></b>	
Deferred Members	568
Retired Members	2,456
Beneficiaries	448
Deceased Members	740
Cashed-Out Members	<u>2,123*</u>
<b>Total Inactive Members</b>	<b>6,324</b>
<b><u>Non-Vested Members</u></b>	<b>583</b>
<b><u>Total Members</u></b>	<b>9,503</b>

\* Includes 257 former spouses of members who received payment in respect of a pension division following a marriage break-up.

## Appendix B

### **Calculation Methods and Assumptions According to Member Status at January 1, 2014**

#### **General Principles**

The Distributable Surplus will be allocated among all members who participated in the Plan between January 1, 1997 and January 1, 2014. Amounts will be allocated in proportion to accrued benefit values at January 1, 2014, inclusive of benefit payments received between January 1, 1997 and January 1, 2014. The methodology for determining accrued benefit values for each member category is described below. Proportionate shares will be determined after providing for payments to Non-Vested Members and the minimum allocations per member as described in this appendix, as well as any expenses to be allocated to specific membership categories as set out in the Agreement.

Going concern assumptions will be used for the discount rate, COLA, retirement and mortality. COLA is assumed to be provided at the guaranteed level (2/3 of CPI changes to a maximum CPI increase of 4% per year).

#### **Valuation Method by Member Category**

##### **Active Members**

Present value of the accrued benefit at January 1, 2014 using final average earnings, average YMPE, age and credited service at the valuation date. Pre- and post-retirement COLA included in benefit values.

##### **Deferred Members**

Present value of the vested benefit at January 1, 2014, inclusive of all accumulated COLA, using age at the valuation date. Pre- and post-retirement COLA included in benefit values.

##### **Retired Members**

Present value of benefit in pay at January 1, 2014, inclusive of all accumulated COLA, using member's age, spouse's age (if applicable) and form of payment at the valuation date. Future COLA included in benefit values. Benefit values to be increased by the sum of actual pension payments received from the later of January 1, 1997 or pension commencement through to the valuation date, adjusted for interest to the valuation date.

##### **Beneficiaries**

Same as retired members except the accumulated pension payments received include payments to both the member and the surviving spouse, as applicable, during the accumulation period (i.e., for some beneficiaries, the accumulation will include payments to the member at

100% of the original amount plus COLA, and, following the member's death, payments to the beneficiary at a reduced amount plus COLA).

#### Cashed-Out Members

Present value of the actual vested accrued benefit at the date of termination or death (as applicable), and using member's age at the date of termination or death. Future COLA included in benefit values. Values increased with interest from date of termination or death to January 1, 2014.

#### Deceased Members

Value equals the sum of actual pension payments received from the later of January 1, 1997 or pension commencement through to the date of death, adjusted for interest to January 1, 2014. For this purpose, the date of death is the later of the member's death or the spouse's death, if applicable.

#### Non-Vested Members

Maximum total allocation to non-vested members is \$200,000. Maximum benefit per member is \$500. Payment per member will be reduced if more than 400 Non-Vested Members claim a benefit so that the total allocation is \$200,000.

#### Counsel Fee

The amount to be allocated will be reduced by \$2,000,000, if approved by the Court, to reflect a counsel fee payable to D'Arcy & Deacon. The allocation of the counsel fee will be proportional to the values as described above, but will exclude TEAM Members, Unifor Members and IBEW Members.

#### Minimum Allocation

A minimum allocation of \$1,000, after deduction of the counsel fee, if applicable, will apply to eligible members, other than Non-Vested Members, who would otherwise receive a smaller allocation.

If a member has benefits in multiple categories in respect of their own Plan membership (e.g., Active Member and Deferred Member), the liability under each category of membership will be determined separately and all liabilities will be added together to provide a single liability for the member. The minimum allocation test will be applied against the total allocation for the member. Any benefit to which a member is entitled arising from the Plan membership of their spouse or former spouse shall be excluded from this combining of liabilities. For this purpose, any Non-Vested Member record will be assigned a liability of \$0.

Similarly, if a portion of a member's benefit has been allocated to a former spouse as a result of a marital property division order or agreement, the minimum allocation test will be applied against the total of the member's allocation and the former spouse's allocation. If applicable, the

minimum allocation will be divided between the two parties in proportion to their respective liabilities.

### **Actuarial Assumptions**

Discount rate: 5.9% per annum

Interest accumulation rate: 5.9% per annum

COLA (pre and post retirement): 1.33% per annum

Pre-retirement Mortality: None

Other pre-retirement decrements: None

Post-retirement Mortality: 2014 Private Sector Canadian Pensioners' Mortality Table with pension size adjustment of 0.97 projected generationally using scale CPM-B. A blend of 55% male rates and 45% female rates will apply to all members.

Retirement age:

Active Members: Age 55, or current age if older.

Deferred Members: Age 55 or 65, as specified in the CSSB records, or current age if older

Cashed-Out Members: Age 65 if continuous service is less than 10 years at termination or death, otherwise age 55; or current age if older.

The estimated Distributable Surplus allocable to each category of member is provided in the table below:

<b>Category</b>	<b>Estimated Allocation</b>
<b><u>Active Members</u></b>	
Non-Union Members	2,772,000
TEAM Members	14,169,000
IBEW Members	7,589,000
Unifor Members	<u>4,973,000</u>
<b>Total Active Members</b>	<b>29,503,000</b>
<b><u>Inactive Members</u></b>	
Deferred Members	1,703,000
Retired Members	66,908,000
Beneficiaries	11,290,000
Deceased Members	7,363,000
Cashed-Out Members	<u>18,533,000</u>
<b>Total Inactive Members</b>	<b>105,797,000</b>
<b><u>Non-Vested Members</u></b>	<b>200,000</b>
<b><u>Total Members</u></b>	<b>135,500,000</b>

## Appendix C

### **Benefit Enhancement Methodology for Retired Members**

Retired Members who retired prior to July 1, 2013 will be given the option of receiving a portion of their allocation in the form of additional monthly pension benefits. The benefit enhancement will be determined as follows:

The member's monthly pension payments from the later of January 1, 1997 or the date of retirement to December 31, 2013 inclusive of annual cost of living adjustments (COLA) based on 2/3 of Consumer Price Index (CPI) increases will be subtracted from the payments that would have been made if COLA had been based on 100% of CPI increases, and the total of the differences will be calculated (the "preliminary retroactive payment").

The difference in monthly pension at January 1, 2014 between the amount payable based on 2/3 of CPI COLA and the amount payable based on 100% of CPI COLA will be determined (the "preliminary enhancement"). The present value of the preliminary enhancement will be calculated assuming that it is payable as a life annuity in the same form as the Retired Member's current pension, inclusive of future COLA based on 2/3 of CPI, and using the Member's age and, if applicable, the Member's spouse's age at January 1, 2015.

The sum of the preliminary retroactive payment and the present value of the preliminary enhancement (the "preliminary total") will be compared to the Member's allocation. If the allocation exceeds the preliminary total, then the benefit enhancement will be equal to the preliminary enhancement. The difference between the Member's allocation and the present value of the benefit enhancement will be paid to the Member as a cash payment.

If the preliminary total exceeds the Member's allocation, the benefit enhancement will be equal to the preliminary enhancement multiplied by the ratio of the allocation to the preliminary total. In addition, the Member will receive a cash payment equal to the preliminary retroactive payment multiplied by the ratio of the allocation to the preliminary total.

#### Actuarial Assumptions

Discount rate: yield on long Government of Canada bonds (CANSIM Series V39062) at August 31, 2014 plus 0.40%

COLA: 2/3 of the geometric difference between the yield on long Government of Canada bonds (CANSIM Series V39062) and the yield on long real return bonds (CANSIM Series V39057) at August 31, 2014

Mortality: 2014 Private Sector Canadian Pensioners' Mortality Table with pension size adjustment of 0.97 projected generationally using scale CPM-B. A blend of 55% male rates and 45% female rates will apply to all members.