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Nortel Ontario Beneficiary Direction, Consent & Waiver

The Nortel Networks Limited Managerial and Non-Negotiated Pension Plan, Registration No. 0342048, and the Nortel Networks Negotiated Pension Plan, Registration No. 0587766 (Nortel Pension Plans), are wound up effective October 1, 2010.

As a result of the wind up, every person who is receiving pension benefits from the Nortel Pension Plans (the 'Nortel Beneficiary') has the right, subject to certain conditions, to choose or elect how the Administrator pays the remaining benefits owing to him/her.

Ontario Regulation 10/13 , made under the Pension Benefits Act came into force on January 15, 2013. The Regulation, among other requirements, establishes the method for determining the commuted value of pension benefits out of the Nortel Pension Plans.

The Nortel Beneficiary may choose to transfer the commuted value of his/her Nortel pension benefit to a Life Income Fund (LIF) or opt for the purchase of a Life Annuity or Joint and Survivor Annuity (if applicable).

If the Nortel Beneficiary exercises his/her entitlement to transfer the commuted value of the pension benefit into a LIF, he/she must complete, sign and submit Form 5.3 – Nortel Ontario Beneficiary Direction, Consent and Waiver Form to the Administrator, Morneau Shepell Ltd.

The following Questions and Answers provide information about this process.

Q1. Who is a "Nortel Beneficiary"?

A1. The following individuals are Nortel Beneficiaries:

- retired members of Nortel Pension Plans who are receiving pension benefits;
- spouses of deceased retired members of Nortel Pension Plans who were receiving survivor benefits as of the windup date of October 1, 2010; and
- qualifying spouses or former spouses of retired members of Nortel Pension Plans who began receiving, prior to the windup date of October 1, 2010, pension benefits because of a court

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order made under Part I (Family Property) of the Family Law Act, or under a family arbitration award or a domestic contract. – 04/2015

Q2. What are the options available to a Nortel Beneficiary, as a result of the wind up of the Nortel pension plans?

A2. As a Nortel Beneficiary, you can choose one of the following two options:

1. require the Administrator to use the commuted value of your pension benefits to purchase from an insurance company a Life Annuity (or a Joint and Survivor Annuity, if applicable); or
2. require the Administrator to transfer the commuted value of your pension benefits to a Life Income Fund (LIF) established under Schedule 1.1 of Ontario Regulation 909 and in accordance with Ontario Regulation 10/13. – 04/2015

Q3. What is the difference between a Life Annuity and a Joint and Survivor Annuity?

A3. Annuities are normally purchased from insurance companies.

- A life annuity consists of periodic payments that are paid for the lifetime of a person (the annuitant).
- In a joint and survivor annuity, periodic payments are made until the death of the annuitant, and then to the surviving spouse until his/her death. Payments to the survivor are often reduced to 60 per cent after the member's death. – 04/2015

Q4. The unlocking rules allow for a withdrawal or transfer of up to 50 per cent of the money transferred into a new LIF, within 60 days from the date of transfer of money into the new LIF. Can I transfer 50 per cent of the funds from the LIF that resulted from the transfer of the Nortel Pension Plans?

A4. No. The 50 per cent unlocking rule for new LIFs does not apply to a LIF purchased with the commuted value of a Nortel pension benefit. You are not permitted to withdraw in a lump sum or transfer any money from the LIF that resulted from the transfer of your benefit from the Nortel Plan. You must receive the money in this LIF in the form of monthly payments, subject to the maximum annual income payments permitted for a LIF. – 04/2015

Q5. Who is the Administrator and how can I contact them?

A5. The Administrator of the Nortel Pension Plans is:

Morneau Shepell Ltd.
895 Don Mills Road, Suite 700
Toronto, ON M3C 1W3

Telephone:

1-877-392-2073 (Nortel Networks Negotiated Pension Plan #0587766)

1-877-392-2074 (Nortel Networks Limited Managerial and Non- Negotiated Pension Plan #0342048)

– 04/2015

Q6. What information will the Administrator provide to help me decide which option to choose?

A6. The Administrator will mail a Statement of Benefits or Interim Statement of Benefits to each Nortel Beneficiary, along with a copy of Form 5.3 – Nortel Ontario Beneficiary Direction, Consent and Waiver Form and Instructions for Form 5.3.

The statement sets out your entitlements under the Nortel Pension Plan and any applicable restrictions on the transfer of those entitlements, the options available to you for payment of your pension benefits, the deadline for electing an option and, information about the funded status of the Nortel Pension Plan. It may also include other information regarding the Nortel Pension Plan as it applies to you. – 04/2015

Q7. What should I do if I wish to transfer the commuted value of my Nortel pension benefit to a LIF?

A7. In order to have the commuted value of your pension benefit transferred to a LIF, you must:

- open a LIF account that complies with Ontario Regulation 10/13, with a financial institution of your choice;
- complete and sign Form 5.3 – Nortel Ontario Beneficiary Direction, Consent and Waiver Form;
- if applicable, obtain the consent of your qualifying spouse or former spouse (Q8);
- if applicable, obtain the consent of your survivor beneficiary and waiver of their **survivor pension**; and
- send the completed and signed Form to the Administrator, Morneau Shepell, within 90 days after you receive your Statement of Benefits or Interim Statement of Benefits. Do not send the Form to FSCO.

– 04/2015

Q8. Do I need the consent of my qualifying spouse or former spouse?

A8. A qualifying spouse or former spouse is person who is entitled to payment of a pension benefit from a Nortel Pension Plan because of a court order made under Part I (Family Property) of the Family Law Act or under a family arbitration award or a domestic contract following the breakdown of their relationship with a retired member of a Nortel Pension Plan.

If you have a qualifying spouse or former spouse who is entitled to payment of a pension benefit from a Nortel pension for your lifetime, you will need his or her consent to transfer the commuted value of your pension benefit to a LIF. – 04/2015

Q9. Do I need the consent of my survivor beneficiary and waiver of their survivor pension?

A9. You have a survivor beneficiary if, on the date you began receiving pension benefits from a Nortel Pension Plan, you had a spouse who has not waived his or her right to a **survivor pension**. A spouse under a Nortel Pension Plan means either of two persons who:

(a) are married and not living separate and apart from each other;

(b) are not married to each other but are living together in a conjugal relationship,

(i) continuously for a period of not less than three years; or

(ii) in a relationship of some permanence, and are the natural or adoptive parents of a child; or

(c) are not married to each other but are living together in a conjugal relationship continuously for a period of not less than one year, and are publicly represented as being domestic partners to the satisfaction of the Administrator, and are not prohibited from marrying each other by reason of the marriage of either person to another person.

If you have a survivor beneficiary, you will need his or her consent to transfer the commuted value of your pension benefit to a LIF and your survivor beneficiary will have to waive his or her right to receive a survivor pension on your death. – 04/2015

Q10. Where can I find Form 5.3 – Nortel Ontario Beneficiary Direction, Consent and Waiver Form?

A10. The Administrator will send you the Form (Q6). The form is also available on FSCO's website. – 04/2015

Q11. What happens if I do not complete and submit Form 5.3 to the Administrator within the required time period of 90 days?

A11. If you do not complete Form 5.3 and send it to the Administrator within 90 days after you receive the Statement of Benefits or Interim Statement of Benefits, you will be deemed to have chosen a Life Annuity (or Joint and Survivor Annuity, if applicable) and the Administrator will purchase a Life Annuity for you (or Joint and Survivor Annuity for you and your spouse or former spouse, if applicable). – 04/2015

Q12. Once I decide on the option I want and either submit or do not submit Form 5.3 within the required time period of 90 days, can I change my decision?

A12. The election you make is final. It cannot be changed or withdrawn. It will also apply to any future payments related to your pension benefits, including those arising from any future settlement of the Administrator's claim against the estate of Nortel Networks Limited.

This is also the case if you do not make an election and are deemed to have elected a Life Annuity (or Joint and Survivor Annuity, if applicable). For example, if you elect to have the commuted value of your pension benefit transferred to a LIF and you later become entitled to a payment from the Administrator as a result of the Administrator's Claim, the Administrator will pay that money into your LIF.

Therefore, you should take care in making your decision. You are advised to seek professional financial, legal and tax advice as appropriate to your circumstances.

- 04/2015

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