

PENSION

facts

PULP & PAPER INDUSTRY PENSION PLAN

Pension Plan Improvements

The Plan's adopted investment policy of investing the majority of the pension fund in a portfolio of fixed income assets such as bonds, mortgages and other cash yielding assets has worked well and protected the Plan's financial position in a time of low interest rates and market volatility. The portfolio was designed to ensure that the pension benefits would be paid with a high degree of certainty. In this regard, the decision to grant benefit improvements goes beyond short-term financial considerations. The Trustees believe in the importance of making conservative decisions to ensure the Plan can continue to meet its benefit payment obligations.

Every year, the actuary of the Plan performs a valuation of the Plan's liabilities and estimates its financial position before the Trustees consider and approve any benefit improvements. Last year, benefit improvements were granted as of January 1, 2017 for active participants and for those in receipt of a pension.

Upon review of the last valuation, the Plan is again in a stable financial position as a result of strong contributions and sound investment strategies despite the low interest rate environment. To that end, the Trustees have approved three benefit improvements to the Plan that will be effective

January 1, 2018. The improvements are an Earnings update, an increase of the flat benefit rate for service prior to 1997 and a Pensioner increase which are described below.

Earnings Update

Effective January 1, 2018, the Trustees have approved an update to the earnings used to calculate your pension for [service after 1996](#). At the end of 2017, the Plan Administrator will perform a test to determine which of the following calculations results in a higher pension value for you. The calculation resulting in the highest benefit will be your accrued benefit to December 31, 2017. If this test produces a smaller benefit, no change will be made to your December 31, 2017 accrued benefit. Only [active members as of January 1, 2018 or members who retired from active status on January 1, 2018](#) will receive this earnings update.

Your January 1, 2018 annual statement will include the earnings update calculations. Your employer will distribute this statement to you by June 29, 2018, at which time the online projection tool will reflect the earnings update as well.

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Earnings Update Calculation

Your monthly pension value as of December 31, 2017 will be the greatest of:

Your benefit earned as at December 31, 2016 plus 1.55% of your 2017 earnings divided by 12

or

1.55% of your total earnings for all the years after 1996 divided by 12 plus your benefit earned as at December 31, 2017 with respect to service prior to 1997

or

1.55% of your average annualized earnings for the last five Plan years ending December 31, 2017 (2013-2017) times your Updated Credited Service to the end of December 31, 2017 divided by 12 plus your benefit earned as at December 31, 2017 with respect to service prior to 1997.

Updated Credited Service Calculation

Your updated credited service at the end of 2017 will be calculated as follows:

Your total hours since January 1, 1997 or your Plan entry date (if later than January 1, 1997)

1700

to a maximum of the number of years that you were participating in the Plan after this date (the maximum is 21 years as at December 31, 2017)

Flat Benefit Rate Increase

The Trustees have approved an increase of the flat benefit rate for service prior to 1997 to \$62.06 per month per year of service (from \$58.06 per month per year of service) for all **active members as of**

January 1, 2018 or members who retired from active status on January 1, 2018. The updated rate takes into account all wage increases granted by the Industry since 2007.

Pensioner Increase

Eligible Pensioners* can benefit from post-retirement ad hoc pension increases. Due to the Plan's good financial position, pensioners who retired **prior to 2017** will receive an increase of 0.43% of their pension effective January 1, 2018. Pensioners who retired in 2017 will receive a prorated increase.

*Pensioners who retired from an active status including their surviving spouses and beneficiaries receiving a pension or a Pensioner who prior to becoming a Pensioner was a Terminated Vested Participant and had last become a Terminated Vested Participant after age 55 including their surviving spouses and beneficiaries receiving a pension.

Update on Financial Position

There continues to be uncertainty and volatility in all markets which may lead to you wondering about the security of your pension. Pension plans are faced with a number of issues which may impact the future financing of the Plan. While the Plan cannot guarantee that under all circumstances benefits will continue to be fully supported by the Plan's assets, the Trustees are confident that the assets in the Plan are more than sufficient to cover current pensions in pay and the accrued pensions of all active and terminated vested participants.

The majority of the Plan's assets are invested in high quality bonds and mortgages in the Canadian market, thus ensuring that the Plan's assets continue to perform in line with expectations. Pension plans continue to face issues such as longer life expectancies and low interest rates in the economy. These issues increase the cost of providing pension benefits and may, in the longer term, affect the Plan's ability to provide future benefit improvements. *(Continued on Next Page)*

The Trustees will continue to closely monitor the Plan's investments, the financial position of the Plan and the cost of providing pension benefits. Next year, the actuary of the Plan will once again perform a valuation of the Plan's liabilities and estimate the financial position of the Plan before the Trustees are able to consider any future benefit improvements.

Your Retirement Application

If you are planning for your retirement and have a retirement date set in your mind, then it is not too early to start taking steps in your application process!

To ensure that your first pension payment is made on time, please complete and submit your pension application form to the Plan Administrator or your employer **90 days** (3 months) prior to your retirement date in order to receive your retirement package. You can download a Pension Application form from the MyRetirement Web Portal under the section My Plans/Forms (or your Human Resources office). Please follow the instructions included in your retirement package and return all required document by the requested deadline. Any paperwork and forms received later than 30 days prior to your retirement date may result in an unfortunate late commencement of your pension payments.

Questions?

Contact your Pulp and Paper Pension Plan Administrator:

Toll-free: 1-888-384-7555

Email: pulp@morneaushepell.com

What is the Pensioner Audit Process?

Every other year, the Plan conducts a full Pensioner Audit review, which requires that all retired members, surviving spouses and beneficiaries who receive a monthly pension payment read and sign, with a witness, the Audit Letter. The purpose of the Audit Letter is to:

- confirm that pensions are being paid as they should;
- confirm that the contact information on file is correct.

This audit review process is done as a part of the pension plan governance policies to ensure that payments are made appropriately. If RBC Investor & Treasury Services does not receive a prompt response to the Audit Letter, the pension payment will be temporarily suspended until RBC I&TS receives a witnessed Audit Letter.

The 2018 Pensioner Audit is underway – please expect to receive a letter in the mail if you are currently a retired member, surviving spouse or a beneficiary of the Plan.

