TAB E

This is **Exhibit "E"** referred to in the
Affidavit of Hamish Dunlop affirmed August 24, 2018

Commissioner for Taking Affidavits (or as may be)

KIRAN PATEL

Ken Eady
19 Cranberry Heights
Wasaga Beach, Ontario
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Cathy McConnell
Vice-President, Human Resources
Sears Canada Inc
290 Yonge Street, Suite 700
Toronto, Ontario
M5B 2C3

May 4, 2009

Dear Cathy:

I have now had time to digest the materials I viewed in my visit to Sears on April 6, 2009. I have also just completed a review of the Sears Canada Inc. 2008 Annual Report.

I feel compelled to express my concerns about how the Company has managed the funding of the pension plan. I understand that decisions concerning the pension plan are made at the Board of Directors level. I am sure Sears Holdings makes many of the recommendations that the Board approves.

In the last few years, Sears has made a number of significant changes to its retirement programs. Some affect those who will retire in the future; some affect those who are already retired. For the sake of clarity, I will list the ones I am aware of:

- The Defined Benefit component of the Sears Canada Registered Pension Plan is frozen

- A Defined Contribution component of the Sears Canada's Registered Pension Plan is introduced

- The Health and Dental Benefit is eliminated for those retiring in the future.

As well, Sears has made some changes in its pension plan funding:

- Sears reviewed its investment strategy for the Pension Plan and chose to invest 33.6% of pension plan assets in hedge funds.

- The Company has contributed $50.3 million dollars to its Executive Non Registered Pension Plan in the last three years.

- In 2008 Sears withdrew $13.6 million from the Defined Benefit Component of the Pension Plan to fund the Employer Contribution for the new Defined Contribution plan.

- In 2008, Sears failed to make any Company contribution (as an operating expense) to the Defined Contribution component of the Pension Plan.

- In 2009, Sears continues to move funds from the Defined Benefit component of the pension plan to fund the Employer Contribution for the new Defined Contribution plan.

- The Defined Benefit Component of the Pension Plan (as reported by Sears in the 2008 Annual Report) is now underfunded, using the solvency method of reporting.

The practice of taking funds from the Defined Benefit Component of the Pension Plan without permission of the Plan Members and Retirees is unacceptable, even though the plan text and pension regulation allow this practice, when the Defined Benefit Component is in a surplus position.

The Defined Benefit portion of the plan will no longer receive new contributions from employees, while the cost and membership in the new Defined Contribution portion of the plan will continue to grow. In this case, the practice of withdrawing funds from the now frozen portion of the plan to fund the new plan is not sustainable and is irresponsible given the instability in the financial markets.

Sears has not contributed to the Defined Benefit plan, to any extent in twenty years. To use these funds to make Sears payments to the Defined Contribution component of the Pension Plan is an unacceptable use of these funds.

The fact that Sears in the last three years has;

1. Withdrawn $13.6 million from the now underfunded Defined Benefit component of the Plan,

2. Made no contribution to the Defined Contribution Component of the Plan, as an operation expense,

3. Has contributed $50.3 Million to the Executive Non-Registered Pension Plan,

seems to be an indication of its attitude and priorities where current employees and retirees are concerned.

The purpose of this letter is to ask Sears to immediately and voluntarily stop, the practice of moving funds from the Defined Benefit component of the pension plan. If you choose to continue, Sears should seek the permission of plan members and retirees before any further funds are withdrawn. Whether the Defined Benefit component of the plan is underfunded or overfunded, these funds should only be used to support the Defined Benefit component of the plan.

As I mentioned at the first of my letter, I understand that decisions of this type are made at the Board level. I would ask that you, in your role as Vice President responsible for Human Resources issues make this request known to the appropriate Company leaders.

I look forward to your response and thank you for your time and consideration on this important issue.

Yours truly,

Ken Eady
Sears Retiree

May 6, 2009

Ken Eady
19 Cranberry Heights
Wasaga Beach, Ontario
L9Z 1M9

Dear Ken,

Thank you very much for your letter and your interest in the Sears Canada Pension. The matter of the company's contributions being made from the Defined Benefit Plan to the Defined Contribution Plan has been reviewed and discussed at the Board level and the company's position is that it will continue to make such transfers, as they are in compliance with the plan and the law.

Kindest Regards,

Cathy

Cathy McConnell
Vice-President, Business Capability &
Human Resources

TAB F

This is **Exhibit "F"** referred to in the
Affidavit of Hamish Dunlop affirmed August 24, 2018

Commissioner for Taking Affidavits (or as may be)
KIRAN PATEL

Actuarial Valuation as at December 31, 2015 for Sears Canada Inc. Registered Retirement Plan

Regulatory Registration Number: 0360065

September 2016

Table of Contents

Executive Summary

An actuarial valuation has been prepared for the Sears Canada Inc. Registered Retirement Plan (the "Plan") as at December 31, 2015 for the primary purpose of establishing a funding range in accordance with legislative requirements for the Plan until the next actuarial valuation is performed. This section provides an overview of the important results and the key valuation assumptions which have had a bearing on these results. The next actuarial valuation for the purposes of developing funding requirements should be performed no later than as at December 31, 2018.

Summary of Principal Results

Financial Position

December 31, 2015 *(000's)*	**Going Concern**	**Solvency**	**Hypothetical Wind Up**
Assets	$ 1,141,970	$ 1,136,970[1]	$ 1,136,970[1]
Liabilities	1,112,034	1,338,298	1,403,775
Financial position	$ 29,936	$ (201,328)	$ (266,805)
Adjustments[2]	(1,060)	62,753	0
Surplus/(Deficit)	**$ 28,876**	**$ (138,575)**	**$ (266,805)**

December 31, 2013 *(000's)*	**Going Concern**	**Solvency**	**Hypothetical Wind Up**
Assets	$ 1,301,497	$ 1,296,497[1]	$ 1,296,497[1]
Liabilities	1,286,852	1,372,902	1,429,543
Financial position	$ 14,645	$ (76,405)	$ (133,046)
Adjustments[2]	(15,000)	48,670	0
Surplus/(Deficit)	**$ (355)**	**$ (27,735)**	**$ (133,046)**

Legislative Ratios

	December 31, 2015	**December 31, 2013**
Solvency ratio	0.85	0.95
Transfer ratio	0.81	0.90

[1] Net of estimated wind up expenses of $5,000,000
[2] Adjustments include prior year credit balance, and solvency asset adjustments, where applicable

Defined Contribution Provision

(000's)	December 31, 2015	December 31, 2013
Account balance	$ 147,028	$ 161,269
Required member contributions[1]	$ 12,200	$ 16,000
Company normal cost	$ 6,100	$ 8,000

Contribution Requirements

Considering the funding and solvency status of the Plan, the Company contributions with effect for the three-year period following December 31, 2015, and those for the prior three-year period following the December 31, 2013 report, which are within the range of minimum and maximum contribution amounts as outlined in Section 5 and in accordance with legislative requirements, prior to application of the prior year credit balance ("PYCB"), are as follows:

(000's)	December 31, 2015	December 31, 2013
Year 1		
Company normal cost	$ 0	$ 0
Special payments[2]	13,680	13,940
Total Company Contribution	**$ 13,680**	**$ 13,940**
Year 2		
Company normal cost	$ 0	$ 0
Special payments	44,220	20,240
Total Company Contribution	**$ 44,220**	**$ 20,240**
Year 3		
Company normal cost	$ 0	$ 0
Special payments	44,220	20,240
Total Company Contribution	**$ 44,220**	**$ 20,240**

1 Estimated by previous year's contribution, increased by the average assumed rate of salary increase
2 In accordance with Regulation, the Company decided to defer new going concern and solvency special payments established as at December 31, 2015 and at December 31, 2013 (the last valuation date) by 12 months. The Company also elected temporary funding relief option 4 as at December 31, 2013, and temporary funding relief option 6 at December 31, 2015, to consolidate existing solvency payments into a new five-year payment schedule.

Key Assumptions

The principal assumptions to which the valuation results are most sensitive are outlined in the following table.

December 31, 2015	Going Concern	Solvency/Hypothetical Wind Up
Discount rate	4.90% per year	Annuity purchases: 2.95% per year Transfers: 2.10% per year for 10 years, 3.70% per year thereafter
Postretirement pension increases	0.50% per year	0.50% per year (for HWU only)
Pensionable earnings	3.00% per year, plus merit	Not applicable
Mortality table	2014 Canadian Private Sector Pensioners' Mortality Table ("CPM2014Priv") combined with mortality improvement scale CPM-B (sex-distinct)	2014 Canadian Pensioners' Mortality Table ("CPM2014") combined with mortality improvement scale CPM-B (sex-distinct)
Retirement Rates		
Active and disabled members	Rates by age	Age that produces the highest lump-sum value
Deferred vested members	Age member elected at termination	Age member elected at termination

December 31, 2013	Going Concern	Solvency/Hypothetical Wind Up
Discount rate	5.00% per year	Annuity purchases: 3.80% per year Transfers: 3.00% per year for 10 years, 4.60% per year thereafter
Postretirement pension increases	0.50% per year	0.50% per year (for HWU only)
Pensionable earnings	3.00% per year, plus merit	Not applicable
Mortality table	CPM2014Priv combined with mortality improvement scale CPM-B (sex-distinct rates, with pension size adjustment factors M=1.026, F=1.041)	1994 Uninsured Pensioner Mortality Table with generational mortality improvements using Scale AA (sex-distinct)
Retirement rates		
Active and disabled members	Rates by age	Age that produces the highest lump-sum value
Deferred vested members	Age member elected at termination	Age member elected at termination

Section 1: Introduction

Purpose and Terms of Engagement

We have been engaged by Sears Canada Inc., and hereafter referred to as the “Company”, to conduct an actuarial valuation of the Plan, registered in Ontario, as at December 31, 2015 for the general purpose of determining the minimum and maximum funding contributions required by pension standards, based on the actuarial assumptions and methods summarized herein. More specifically, the purposes of the valuation are to:

- Determine the financial position of the Plan on a going concern basis as at December 31, 2015;
- Determine the financial position of the Plan as at December 31, 2015 on a solvency and hypothetical wind up basis;
- Determine the funding requirements of the Plan as at December 31, 2015; and
- Provide the necessary actuarial certification required under the *Pension Benefits Act* and the *Income Tax Act.*

The Plan has defined benefit and defined contribution provisions. The defined contribution provision is addressed in Section 6. The rest of the report is in respect of the defined benefit provision unless otherwise indicated.

The results of this report may not be appropriate for accounting purposes or any other purposes not listed above.

The next required valuation will be as at December 31, 2018.

Temporary Funding Relief

On June 3, 2016, Ontario Regulation 161/16 was filed, which extends the temporary funding relief measures adopted by the Government of Ontario in 2009 and 2012 for an additional three years, i.e., for valuation reports dated in the three-year period starting on December 31, 2015. The regulation allows for the following:

- Temporary Funding Relief Option 6 – Consolidation of existing solvency special payments established prior to December 31, 2015 into a new five-year payment schedule;
- Temporary Funding Relief Option 7 – Extending the payment schedule to a maximum of 10 years for any new solvency deficiency identified in the first report filed during the period covered by the funding relief. This option requires consent of the plan beneficiaries.

In accordance with the regulation, the Company has elected temporary funding relief option 6 as at December 31, 2015.

Summary of Changes Since the Last Valuation

The last such actuarial valuation in respect of the Plan was performed as at December 31, 2013. Since the time of the last valuation, we note that the following events have occurred:

- As a result of the Canadian Institute of Actuaries ("CIA") study of Canadian pensioner mortality levels and trends, the mortality assumption used for the going concern valuation of the Plan as of December 31, 2013 was updated to reflect the 2014 Canadian Private Sector Pensioners' Mortality Table ("CPM2014Priv") combined with mortality improvement scale CPM-B, and size adjustment factors of 102.6% for males, and 104.1% for females.

  Since the last valuation, we performed a mortality study that analyzed the Plan's experience from 2009 to 2014. The results of the mortality study indicate that the CPM2014Priv table without size adjustment factors is appropriate for this Plan's population. We have therefore updated the mortality assumption this valuation, resulting in an increase in the Plan's going concern liabilities.

- Effective March 1, 2014, any member who terminates employment and is eligible for an immediate pension at termination, can elect to transfer out the commuted value of his pension entitlement to another locked-in retirement savings vehicle in lieu of receiving an immediate or deferred pension from the Plan, subject to provincial legislative restrictions.

- Effective January 1, 2015, members who voluntarily terminate prior to attainment of age 55 (or involuntarily terminate with cause) will receive the actuarially equivalent value of their pension at age 65 if they choose to retire prior to age 65.

- Effective October 1, 2015, the commuted value basis prescribed under Section 3500 (Pension Commuted Values) of the CIA Standards of Practice was updated, including the use of the new promulgated mortality table and projection scale for all commuted values i.e. the CPM2014 combined with mortality improvement scale CPM-B. This basis will be used for calculating commuted values for the purposes of subsection 42(1) of the *Pension Benefits Act*. This change has been reflected in this valuation.

- The solvency and hypothetical wind up assumptions guidance published by the CIA on November 3, 2015 for valuations with effective dates on or after September 30, 2015, recommended the use of the new promulgated mortality table and projection scale for the annuity purchase proxy basis. The solvency and hypothetical wind up results at December 31, 2015 contained in this report reflect this change.

Company Information and Inputs

In order to prepare our valuation, we have relied upon the following information:

- The previous valuation report as at December 31, 2013;
- Membership data compiled as at December 31, 2015 by the Company;
- Asset data taken from the Plan's audited financial statements; and
- A copy of the latest Plan text and amendments up to and including December 31, 2015.

Furthermore, our actuarial assumptions and methods have been chosen to reflect our understanding of the Company's desired funding objectives with due respect to accepted actuarial practice and regulatory constraints.

Subsequent Events

As of the date of this report, we have not been made aware of any subsequent events which would have an effect on the results of this valuation. However, the following points should be noted in this regard:

- Actual experience deviating from expected after December 31, 2015 will result in gains or losses which will be reflected in the next actuarial valuation report.
- To the best of our knowledge, the results contained in this report are based on the regulatory and legal environment in effect at the date of this report and do not take into consideration any potential changes that may be currently under review. To the extent that actual changes in the regulatory and legal environment transpire, any financial impact on the Plan as a result of such changes will be reflected in future valuations.

Section 2: Going Concern Valuation Results

Going Concern Financial Position of the Plan

The going concern valuation provides an assessment of the Plan's financial position at the valuation date on the premise that the Plan continues on into the future indefinitely.

The selection of the applicable actuarial assumptions and methods reflect the Plan's funding objectives, as communicated by the Company, actuarial standards of practice, and pension standards.

On the basis of the plan provisions, membership data, going concern assumptions and methods, and asset information described in the Appendices, the going concern financial position of the Plan as at December 31, 2015 is shown in the following table. The results as at December 31, 2013 are also shown for comparison purposes.

Going Concern Financial Position

(000's)	**December 31, 2015**	**December 31, 2013**
Actuarial Value of Assets	**$ 1,141,970**	**$ 1,301,497**
Going Concern Liabilities		
Active and disabled members	$ 188,205	$ 333,474
Transferred members	9,160[1]	13,353[1]
Suspended members	8,424	16,746[2]
Deferred vested members	16,824	30,068
Retired members and beneficiaries	889,421	893,211
Total Liabilities	**$ 1,112,034**	**$ 1,286,852**
Going Concern Position	**$ 29,936**	**$ 14,645**
Prior year credit balance	(1,060)	(15,000)
Surplus/(Unfunded Liability)	**$ 28,876**	**$ (355)**

The Plan ceased defined benefit service accrual effective July 1, 2008. As such, there is no normal cost for the Plan as of December 31, 2013 or December 31, 2015.

[1] Consists of members transferred to: JP Morgan as of December 18, 2005 and January 1, 2006; and Thomas Cook Travel as of January 30, 2011

[2] Included members transferred to SHS Services Management Inc. as of March 3, 2013, and were subsequently terminated in December 2013 as a result of the bankruptcy of SHS Services Management Inc.

Change in Financial Position

During the period from December 31, 2013 to December 31, 2015, the going concern financial position of the Plan changed from a surplus of $14,645,000 to a surplus of $29,936,000. The major components of this change are summarized in the following table.

Reconciliation of the Going Concern Financial Position for the Period from December 31, 2013 to December 31, 2015

(000's)	**2014**	**2015**
Surplus/(Unfunded Liability) as at January 1	**$ 14,645**	**$ 34,861**
Company special payments in inter-valuation period	0[1]	26,987[2]
Expected interest	732	2,243
Expected Surplus/(Unfunded Liability) as at December 31	**$ 15,377**	**$ 64,091**
Change in surplus/(unfunded liability) due to experience gains/(losses) arising from:		
Investment earnings greater/lower than expected	39,261	1,360
Salary increases lower/greater than expected	2,743	(1,678)
Retirement experience	(1,693)	(6,118)
Termination experience	(31,583)	(5,856)
Mortality experience	(692)	(143)
Net gain/(loss) due to other experience and miscellaneous items	683	(1,295)
Surplus/(Unfunded Liability) After Experience Gains/(Losses) as at December 31	**$ 24,096**	**$ 50,361**
Change in liabilities due to change in economic assumptions	(3,845)	(12,385)
Change in liabilities due to change in demographic assumptions	0	(8,040)
Change in liabilities due to plan amendments	14,610	0
Surplus/(Unfunded Liability) as at December 31	**$ 34,861**	**$ 29,936**

[1] The Company prefunded the required contribution for 2014 of $13,940,000 through a contribution of $15,000,000 made in December 2013. The prepayment was held as a PYCB in the valuation report and financial position at December 31, 2013.
[2] Includes contributions of $6,747,000 made in the first 120 days of 2016 and held as in-transit at December 31, 2015

Discussion of Changes in Assumptions

Comment Regarding Experience

In the reconciliation of the going concern financial position of the Plan for the period since December 31, 2013, the impact of the change in assumptions is shown in 2014 and 2015. The numbers are presented in this way for consistency with the valuation report that was prepared as at December 31, 2014 for management purposes which was not filed with Financial Services Commission of Ontario or Canada Revenue Agency.

The experience gains and losses in each year are measured against the assumptions at December 31 of each of these interim valuations. Showing the impact of the change in assumptions in this manner is consistent with management reports and would have no material impact on the overall assumption change experience. The changes made to the assumptions during the inter-valuation period are summarized below.

Economic Assumptions

The following assumptions were changed during the two-year valuation period:

- The nominal discount rate was reduced from 5.00% to 4.90% per year at December 31, 2015.
- The inflation assumption was reduced from 2.50% to 2.25% per year at December 31, 2015.
- The assumed rate of increase of the YMPE and the maximum pension limit was reduced from 3.00% to 2.75% per year at December 31, 2015.
- The interest rates used to value members' benefits on termination in the going concern valuation are based on the rate used to determine commuted values for terminations in December of that year. Therefore, the non-indexed interest rates to value this termination benefit were updated each year as follows:
  - December 31, 2014: changed from 3.00% per year for 10 years and 4.60% per year thereafter to 2.50% per year for 10 years and 3.80% per year thereafter.
  - December 31, 2015: changed to 2.10% per year for 10 years and 3.70% per year thereafter.

In combination, these changes in assumptions increased the going concern liabilities by $16,230,000.

Demographic Assumptions

As a result of the CIA study of Canadian pensioner mortality levels and trends, the mortality assumption used for the going concern valuation of the Plan as of December 31, 2013 was updated to reflect the CPM2014Priv table combined with mortality improvement scale CPM-B, and size adjustment factors of 102.6% for males, and 104.1% for females.

Since the last valuation, we performed a mortality study that analyzed the Plan's experience from 2009 to 2014. The results of the mortality study indicate that the CPM2014Priv table without size adjustment factors is appropriate for this Plan's population. The change in assumption increased the going concern liabilities by $8,040,000.

Discussion of Plan Amendments

This valuation reflects the following plan amendments which came into effect during the two-year valuation period:

- Effective January 1, 2015, members who voluntarily terminate prior to attainment of age 55 (or involuntarily terminate with cause) will receive the actuarially equivalent value of their pension at age 65 if they choose to retire prior to age 65.

This plan amendment decreased the going concern liabilities by $14,610,000.

Discussion of Other Experience

Investment Experience

The assumed rate of return for going concern valuation purposes was 5.00% per year. The actual return (net of fees and expenses) was as follows:

Year	Actual Return
2014	8.3%
2015	5.2%

This resulted in a net gain of $39,261,000 and $1,360,000 in 2014 and 2015, respectively.

Salary Experience

The liability-weighted average increases in pensionable earnings in 2014 and 2015 were 2.05%, and 4.08%, respectively. The average expected salary increase for the active population was approximately 3.0% per year. Actual increases lower than expected in 2014, and higher than expected in 2015 resulted in a net actuarial gain to the Plan of $2,743,000 in 2014, and a net actuarial loss of $1,678,000 in 2015.

Retirement Experience

Effective March 1, 2014, any member who terminates employment and is eligible for an immediate pension at termination, can elect to transfer out the commuted value of his pension entitlement to another locked-in retirement savings vehicle in lieu of receiving an immediate pension from the Plan. The impact of retirement eligible members electing to transfer out their commuted value, combined with the difference between the assumed rate at which members retire versus actual experience, resulted in a total net actuarial loss to the Plan of $7,811,000 over the two-year period.

Termination Experience

The termination experience during the two year period includes the impact of business restructurings and store closures which occurred during 2013 and 2014 and affected approximately 1639 members of the DB Component of the Plan. The impact of more terminations than expected, largely due to the business transformations and store closures, resulted in a total termination loss of $37,439,000 over the two-year period.

Going Concern Valuation Sensitivity Results

In accordance with the CIA Standards of Practice specific to pension plans that became effective December 31, 2010, the table below presents the sensitivity of the going concern liabilities using a discount rate 1% lower than that used for the going concern valuation.

(000's)	**Valuation Basis December 31, 2015**	**Based on Rate of 1% Lower**	**Effect $**	**Effect %**
Going concern liabilities	$ 1,112,034	$ 1,239,061	$ 127,027	11.4%

Note that using a discount rate 1% higher than that assumed would result in a comparable reduction in the Plan's going concern liabilities and normal cost.

Section 3: Solvency Valuation Results

Solvency Financial Position of the Plan

The solvency valuation is a financial assessment of the Plan that is required by the *Pension Benefits Act* and is performed in accordance with requirements prescribed by that legislation. It is intended to provide an assessment of the Plan's financial position at the valuation date on the premise that certain obligations as prescribed by the *Pension Benefits Act* are settled on the valuation date for all members.

On the basis of the plan provisions, membership data, solvency assumptions and methods and asset information described in the Appendices, as well as the requirements of the *Pension Benefits Act*, the solvency financial position of the Plan as at December 31, 2015 is shown in the following table. The solvency financial position of the Plan as at December 31, 2013 is shown for comparison purposes.

Solvency Financial Position

(000's)	**December 31, 2015**	**December 31, 2013**
Assets		
Solvency assets	$ 1,141,970	$ 1,301,497
Estimated wind up expenses	(5,000)	(5,000)
Total Assets	**$ 1,136,970**	**$ 1,296,497**
Solvency Liabilities		
Active and disabled members	$ 248,462	$ 383,055
Transferred members	12,254[1]	13,927[1]
Suspended members	13,039	19,496[2]
Deferred vested members	23,193	34,506
Retired members and beneficiaries	1,041,350	921,918
Total Liabilities	**$ 1,338,298**	**$ 1,372,902**
Solvency Position	**$ (201,328)**	**$ (76,405)**
Prior year credit balance	(1,060)	(15,000)
Solvency asset adjustment	63,813	63,670
Solvency liability adjustment	0	(0)
Solvency Surplus/(Deficiency)	**$ (138,575)**	**$ (27,735)**
Solvency ratio	0.85	0.95

1 Consists of members transferred to: JP Morgan as of December 18, 2005 and January 1, 2006; and Thomas Cook Travel as of January 30, 2011

2 Included members transferred to SHS Services Management Inc. as of March 3, 2013, and were subsequently terminated in December 2013 as a result of the bankruptcy of SHS Services Management Inc.

Solvency Concerns

A report indicates solvency concerns under the *Pension Benefits Act* if the ratio of the solvency assets to solvency liabilities is less than 0.85.

Where a report indicates solvency concerns, the effective date of the next valuation that needs to be filed under the *Pension Benefits Act* is one year from the valuation date of the valuation that gave rise to the solvency concerns.

Since the ratio of solvency assets to solvency liabilities ($1,141,970,000 / $1,338,298,000) is equal to 0.85, this report does not indicate solvency concerns.

Solvency Asset Adjustment

The present value of scheduled special payments for solvency valuation purposes has been calculated by discounting the annual special payments to be remitted up to the end of their amortization period (to a maximum of six years), at the smoothed solvency discount rate of 2.80% per year compounded monthly in arrears determined proportionately by the solvency discount rates used to settle the solvency liabilities.

Nature of Deficiency	**Effective Date**	**End Date**	**Annual Special Payment** ***(000's)***	**Present Value as of December 31, 2015** ***(000's)***
Solvency	December 31, 2013[1]	December 31, 2018	$ 13,903	$ 39,982
Solvency	December 31, 2014[2]	December 31, 2019	$ 6,300	23,831
Present Value of Special Payments				**$ 63,813**

[1] In accordance with Regulation, the Company elected temporary funding relief option 4 as at December 31, 2013

[2] In accordance with Regulation, the Company decided to defer new going concern and solvency special payments established as at December 31, 2013 by 12 months

Solvency Valuation Sensitivity Results

In accordance with the CIA Standards of Practice specific to pension plans that became effective December 31, 2010, the table below presents the sensitivity of the solvency liabilities to using a discount rate of 1% lower than that used for the solvency valuation.

	Valuation Basis	Based on Rate of	Effect	
(000's)	December 31, 2015	1% Lower	$	%
Solvency liabilities	$ 1,338,298	$ 1,504,555	$ 166,257	12.4%

Note that using a discount rate 1% higher than that assumed would result in a comparable reduction in the solvency liabilities.

Incremental Cost on a Solvency Basis

The incremental cost on a solvency basis represents the present value at December 31, 2015 of the expected aggregate change in the solvency liabilities between December 31, 2015 and the next calculation date, i.e. December 31, 2018. Appendix E gives more details on the calculation methodology and on assumptions.

Based on this methodology and on these assumptions, the incremental cost on a solvency basis, for the period from December 31, 2015 to December 31, 2018, is $(12,396,100).

	2016	2017	2018
Incremental cost on a solvency basis	$ (5,086,500)	$ (3,985,600)	$ (3,324,000)

Pension Benefits Guarantee Fund ("PBGF")

The development of the PBGF Assessment Base is as follows:

PBGF Assessment Base		December 31, 2015
(1) Solvency assets	$	1,141,970,000
(2) PBGF liabilities	$	813,092,000
(3) Solvency liabilities	$	1,338,298,000
(4) Ontario asset ratio: [(2) divided by (3)]		0.6076
(5) Ontario portion of fund: [(1) multiplied by the ratio in (4)]	$	693,860,972
PBGF assessment base: [(2) subtract (5); if negative, enter zero]	$	119,231,028

The calculation of the PBGF Assessment is as follows:

PBGF Assessment			
0.5% of any portion of the applicable PBGF assessment base that is less than 10% of the PBGF liabilities		$	406,546
1.0% of any portion of the applicable PBGF assessment base that is 10% or more but less than 20% of the PBGF liabilities			379,218
1.5% of any portion of the applicable PBGF assessment base that is 20% or more of the PBGF liabilities			0
(1) Total		$	785,764
Number of Ontario Plan Members, Former Members and Other Beneficiaries			9,424
(2) $5.00 x Number of Ontario Plan Members, Former Members and Other Beneficiaries		$	47,120
(3) $300.00 x Number of Ontario Plan Members, Former Members and Other Beneficiaries		$	2,827,200
Total Guarantee Fund Assessment	Lesser of [(1)+(2)] and (3)	**$**	**832,884**[1]

The Guarantee Fund Assessment may be adjusted to the extent that contributions during a plan year are in excess of the minimum required company contributions.

1 Does not include retail sales tax

Section 4: Hypothetical Wind Up Valuation Results

Hypothetical Wind Up Financial Position of the Plan

A hypothetical wind up valuation is performed to determine the financial position of the Plan as at the valuation date on a wind up basis, reflecting market settlement rates as of the valuation date. Unlike the solvency valuation, all benefits are included that would be payable under the postulated scenario that would maximize benefits. The hypothetical wind up valuation is determined using benefit entitlements on the assumption that the Plan has neither a surplus nor a deficit. Contingent benefits are included in the liabilities that would be payable under the postulated scenario. Assets are set equal to market value net of estimated wind up expenses. All assumptions for the hypothetical wind up valuation are listed in Appendix E of the report.

On the basis of Plan provisions, membership data, hypothetical wind up assumptions and methods, and asset information described in the Appendices, as well as the requirements of the *Pension Benefits Act*, the hypothetical wind up financial position of the Plan as at December 31, 2015 is shown in the following table. The hypothetical wind up financial position of the Plan as at December 31, 2013 is shown for comparison purposes.

Hypothetical Wind Up Financial Position

(000's)	**December 31, 2015**	**December 31, 2013**
Assets		
Hypothetical wind up assets	$ 1,141,970	$ 1,301,497
Estimated wind up expenses	(5,000)	(5,000)
Total Assets	**$ 1,136,970**	**$ 1,296,497**
Hypothetical Wind Up Liabilities		
Active and disabled members	$ 258,261	$ 394,854
Transferred members	12,715[1]	14,353[1]
Suspended members	13,509	20,075[2]
Deferred vested members	24,042	35,537
Retired members and beneficiaries	1,095,248[3]	964,724[4]
Total Liabilities	**$ 1,403,775**	**$ 1,429,543**
Hypothetical Wind Up Surplus/(Deficiency)	**$ (266,805)**	**$ (133,046)**

[1] Consists of members transferred to: JP Morgan as of December 18, 2005 and January 1, 2006; and Thomas Cook Travel as of January 30, 2011

[2] Included members transferred to SHS Services Management Inc. as of March 3, 2013, and were subsequently terminated in December 2013 as a result of the bankruptcy of SHS Services Management Inc.

[3] Includes postretirement increase of 0.5% granted to eligible retired members and beneficiaries as of January 1, 2016 and January 1, 2015

[4] Includes postretirement increase of 0.5% granted to eligible retired members and beneficiaries as of January 1, 2014

Transfer Ratio

The transfer ratio is determined as follows:

(000's)				**December 31, 2015**
(1)	Hypothetical wind up assets		$	1,141,970
	Prior year credit balance	(A)	$	1,060
	Total company normal cost and required special payments until next mandated valuation	(B)	$	102,120
(2)	Asset adjustment	Lesser of (A) and (B)	$	1,060
(3)	Hypothetical wind up liabilities		$	1,403,775
Transfer Ratio [(1)-(2)] / (3)				**0.81**

Section 5: Contribution Requirements

Contribution Requirements in Respect of the Normal Cost

The Plan ceased defined benefit service accrual effective July 1, 2008. As such, there is no normal cost for the Plan as of December 31, 2013 or December 31, 2015.

Development of Special Payments

The following table summarizes previously established amortization schedules of special payments before adjustment to reflect any gains or losses due to the going concern and solvency valuation results. The following tables in this section show numbers in *(000's)*.

				Present Value as of December 31, 2015	
Nature of Deficiency	**Effective Date**	**End Date**	**Annual Special Payment**	**For Going Concern Valuation[1]**	**For Solvency Valuation[2]**
Going concern	December 31, 2011[3]	December 31, 2026	$ 37	$ 316	$ 173
Solvency	December 31, 2013[4]	December 31, 2018	13,903	n/a	39,982
Solvency	December 31, 2014[5]	December 31, 2019	6,300	n/a	23,831
			$ 20,240	$ 316	$ 63,986

The following table summarizes the amortization schedules of special payments after adjustment to reflect any gains or losses due to the going concern and solvency valuation results. In accordance with Regulation, the Company has decided to defer all new solvency special payments established as at December 31, 2015 by 12 months. The Company has also elected temporary funding relief to consolidate existing solvency special payments into a new five-year payment schedule. The following table summarizes the amortization schedules of special payments after the aforementioned adjustments.

				Present Value as of December 31, 2015	
Nature of Deficiency	**Effective Date**	**Revised End Date**	**Revised Annual Special Payment**	**For Going Concern Valuation[1]**	**For Solvency Valuation[2]**
Solvency	December 31, 2015[6]	December 31, 2020	$ 13,680	n/a	$ 63,813
Solvency	December 31, 2016[7]	December 31, 2021	30,540	n/a	138,575
			$ 44,220		$ 202,388

1 The values in the table were developed using the going concern interest rate of 4.90% per year compounded monthly in arrears
2 The values in the table were developed using the weighted average solvency interest rate of 2.80% per year compounded monthly in arrears. For the present value of the going concern special payments, only a maximum of six years of such payments were considered in the calculation.
3 In accordance with Regulation, the Company decided to defer new going concern special payments established as at December 31, 2010 by 12 months
4 In accordance with Regulation, the Company elected temporary funding relief option 4 as at December 31, 2013
5 In accordance with Regulation, the Company decided to defer new going concern and solvency special payments established as at December 31, 2013 by 12 months
6 In accordance with Regulation, the Company elected temporary funding relief option 6 as at December 31, 2015 to consolidate existing solvency payments into a new five-year payment schedule
7 In accordance with Regulation, the Company decided to defer new going concern and solvency special payments established as at December 31, 2015 by 12 months

Prior Year Credit Balance (“PYCB”)

The table below reconciles changes in the PYCB from December 31, 2013 to December 31, 2015.

(000’s)	2014	2015
Prior year credit balance, beginning of plan year	$ 15,000	$ 1,060
Actual contributions during plan year	0	20,240
Minimum required company contributions during plan year[1]	(13,940)	(20,240)
Prior Year Credit Balance, End of Plan Year	**$ 1,060**	**$ 1,060**

Since the PYCB is greater than zero, the Company may apply the PYCB to reduce the special payments.

Excess Surplus

The *Income Tax Act* requires that any excess surplus first be applied to reduce or eliminate the company contribution requirements. Excess surplus is defined in Section 147.2(2)(d) of the *Income Tax Act*, as the portion of surplus (if any) that exceeds 25% of the going concern liabilities.

There is no excess surplus in the Plan at December 31, 2015.

[1] Before application of PYCB

Development of Minimum Required Company Contribution

The table below presents the development of the minimum required company contribution for each of the plan years covered by this report.

(000's)	**2016**	**2017**	**2018**
Company normal cost	$ 0	$ 0	$ 0
Special payments toward amortizing unfunded liability	0	0	0
Special payments toward amortizing solvency deficiency	13,680	44,220	44,220
Minimum Required Company Contribution, Prior to Application of Prior Year Credit Balance	**$ 13,680**	**$ 44,220**	**$ 44,220**
Permitted application of prior year credit balance	(1,060)	0	0
Minimum Required Company Contribution	**$ 12,620**	**$ 44,220**	**$ 44,220**

Development of Maximum Deductible Company Contribution

The table below presents the development of the maximum deductible company contribution for each of the plan years covered by this report.

The maximum deductible company contribution presented in the table below for a given plan year is calculated assuming that the Company makes the maximum deductible company contribution in the first plan year covered by this report.

(000's)	**2016**	**2017**	**2018**
Company normal cost	$ 0	$ 0	$ 0
Greater of the unfunded liabilities and the hypothetical wind up deficiency	266,805	0	0
Required application of excess surplus	0	0	0
Maximum Deductible Company Contribution	**$ 266,805**	**$ 0**	**$ 0**

If the Company wishes to make the maximum deductible company contribution, it is advisable to contact the Plan's actuary before making such contribution to ensure that the contribution will be permissible and deductible and that any regulatory requirements are considered.

Section 6: Defined Contribution Component of the Plan

Financial Position

For a defined contribution plan, at any given time, the assets and the liabilities of the Plan are equal. The financial position of the Plan as at December 31, 2015 is shown in the following table. The results as at December 31, 2013 are also shown for comparison purposes.

(000's)	**December 31, 2015**	**December 31, 2013**
Actuarial value of assets	$ 147,028	$ 161,269
Total liabilities	147,028	161,269
Financial Position	**$ 0**	**$ 0**

Normal Cost

On the basis of the plan provisions, and membership data, the normal cost of the Plan as at December 31, 2015 is shown in the following table. The normal cost as at December 31, 2013 is also shown for comparison purposes.

(000's)	**December 31, 2015**	**December 31, 2013**
Required member contributions[1]	$ 12,200	$ 16,000
Company normal cost	$ 6,100	$ 8,000

[1] Estimated by previous year's contribution, increased by the average assumed rate of salary increase

Section 7: Actuarial Certificate

Actuarial Opinion, Advice and Certification for the Sears Canada Inc. Registered Retirement Plan

Financial Services Commission of Ontario Registration Number: 0360065
Canada Revenue Agency Registration Number: 0360065

Opinion

This actuarial certification forms an integral part of the actuarial valuation report for the Plan as at December 31, 2015. We confirm that we have prepared an actuarial valuation of the Plan as at December 31, 2015 for the purposes outlined in the Introduction section to this report and consequently:

Our advice on funding is the following:

- The Company should contribute the amounts within the range of minimum and maximum contribution amounts as outlined in Section 5 of this report, in accordance with legislative requirements.
- The next actuarial valuation for the purpose of developing funding requirements should be performed no later than as at December 31, 2018.

We hereby certify that, in our opinion:

- With respect to the purposes of determining the Plan's financial position on a going concern basis as at December 31, 2015:
  - The Plan has a going concern surplus of $28,876,000 as at December 31, 2015, based on going concern assets of $1,141,970,000 less going concern liabilities of $1,112,034,000 and less a PYCB of $1,060,000.
  - There is no excess surplus as defined by Section 147.2(2) of the *Income Tax Act* in the Plan at December 31, 2015.
  - The pre-1990 maximum pension restrictions in Subsection 8504(6) of the Regulations to the *Income Tax Act* do not apply to any members of the Plan.
- With respect to the purpose of determining the Plan's financial position on a solvency basis:
  - The Plan has a solvency deficiency of $138,575,000 as at December 31, 2015, determined as solvency assets net of wind up expenses of $1,136,970,000 less solvency liabilities of $1,338,298,000, plus a solvency asset adjustment of $63,813,000, and less a PYCB of $1,060,000.
  - The solvency ratio is 0.85 as at December 31, 2015.
  - The transfer ratio is 0.81 as at December 31, 2015.
  - The Plan's liabilities would exceed the Plan's assets, net of estimated wind up expenses, by $266,805,000 if the Plan was terminated and wound up as at December 31, 2015.
  - A PBGF assessment is required to be paid where the PBGF assessment base is equal to $119,231,028 and the PBGF liabilities are $813,092,000.

- With respect to determining the funding requirements of the Plan:
  - The Company's normal cost in respect of the defined benefit provision of the Plan is $0.
  - The Company is required to make contributions to the defined contribution provision of the Plan according to the following table:

Employee	Employer
0.0%	0.0%
1.0%	0.5%
2.0%	1.0%
3.0%	1.5%
4.0%	2.0%
5.0%	2.5%
6.0%	3.0%
7.0%	3.5%

  - The special payments required to fund the solvency deficiency are as summarized in the following table:

Nature of Deficiency	Effective Date	End Date	Annual Payment
Solvency	December 31, 2015[1]	December 31, 2020	$ 13,680
Solvency	December 31, 2016[2]	December 31, 2021	30,540
			$ 44,220

  - The PYCB is $1,060,000 as at December 31, 2015.
  - The contribution range as outlined in this report is expected to be sufficient to satisfy the Plan's funding requirements.
  - The company contribution range outlined in this report qualifies as eligible contributions under Section 147.2(2) of the *Income Tax Act.*

[1] In accordance with Regulation, the Company elected temporary funding relief as at December 31, 2015 to consolidate existing solvency payments into a new five-year payment schedule

[2] In accordance with Regulation, the Company decided to defer new going concern and solvency special payments established as at December 31, 2015 by 12 months

- In our opinion, for the purposes of the valuation:
  - The data on which this valuation is based are sufficient and reliable;
  - The assumptions used are appropriate; and
  - The actuarial cost methods and the asset valuation methods used are appropriate.
- This report and its associated work have been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada and in compliance with the requirements outlined in subparagraphs 147.2(2)(a)(iii) and (iv) of the *Income Tax Act*.
- Notwithstanding the above certifications, emerging experience differing from the assumptions will result in gains or losses that will be revealed in subsequent valuations.

Susan K. Himmelman, FCIA, FSA
Partner

Claire Norville-Buckland, FCIA, FSA
Associate Partner

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September 2016

Appendix A: Glossary of Terms

- The **actuarial value of assets** is the asset value used for going concern valuation purposes. Smoothing methods are sometimes used to smooth investment gains and losses over a certain period.
- The **estimated wind up expenses** is an estimate of the administrative and other expenses expected to be charged against the pension fund if the Plan were to terminate on the valuation date.
- The **going concern liabilities** are the actuarial present value of benefits earned in respect of service prior to the valuation date. The actuary may choose to omit indexing liabilities (i.e., "escalated adjustments") from the going concern liabilities as per Section 11(1) of the *Pension Benefits Act*. However, if escalated adjustments are omitted from the going concern liabilities, the amount of payment of an escalated adjustment that is made from the pension fund, to the extent that it has not been funded, must be included in the normal cost pursuant to Section 11(2) of the Regulation to the *Pension Benefits Act*. The going concern liabilities are calculated using the going concern assumptions and methods summarized in Appendix D of this report.
- The **going concern position** is the difference between the actuarial value of assets and the going concern liabilities. Escalated adjustments may be omitted from the determination of the surplus/(unfunded liability) pursuant to Section 11(3) of the Regulation to the *Pension Benefits Act*.
- The **maximum deductible company contribution** refers to an eligible contribution pursuant to Section 147.2(2) of the *Income Tax Act*. Under Subsection 8502(b) of the Regulations to the *Income Tax Act*, each Company contribution made after January 1, 1991 in respect of a defined benefit provision of a registered pension plan must be such eligible contribution.

  In a company's fiscal year, the following contributions are eligible under Section 147.2(2) of the *Income Tax Act*.

  - The company normal cost, eligible under Section 147.2(2) subject to certification by the actuary and approval by the Canada Revenue Agency; plus
  - Special payments eligible under Section 147.2(2) up to the amount of the unfunded liability, the solvency deficiency, or the hypothetical wind up deficiency, whichever is greater, subject to certification by the actuary and approval by the Canada Revenue Agency; less
  - Required application of excess surplus.

  The company normal cost and special payments for this Plan will be deductible under Section 147.2(2) of the *Income Tax Act*, subject to the approval of the Canada Revenue Agency.

  Note that contributions to a plan are still permissible and deductible if there is an excess surplus, providing there is simultaneously a solvency or hypothetical wind up deficiency in the Plan or the contributions are required as minimum contributions under provincial or federal *Pension Benefits Standards Act* legislation, pursuant to Subsections 8516(2) and (3) of the Regulations to the Income *Tax Act*.

One restriction under the *Income Tax Act* is that if there is an excess surplus, and a solvency or hypothetical wind up deficiency, the maximum deductible contribution is restricted to the full amount of the deficiency without allowance for interest or any other contributions such as company normal cost and/or transfer deficiency payments.

In order to be deductible in a given fiscal year, company contributions must be made not later than 120 days after the end of the fiscal year.

- The **minimum required company contribution** for each plan year is equal to:
  - The company normal cost; plus
  - Special payments toward amortizing any unfunded liability over 15 years beginning no later than 12 months from the date on which the unfunded liability was established; plus
  - Special payments toward amortizing any solvency deficiency over five years beginning no later than 12 months from the date on which the solvency deficiency was established (this period of years may be longer if the Company has elected temporary funding relief options 3 and/or 5); less
  - Required application of excess surplus; less
  - Permitted application of surplus; less
  - Permitted application of PYCB.

  In order to satisfy the requirements of the *Pension Benefits Act* and its Regulations, contributions to the fund must be made in accordance with the following rules:
  - Required member contributions (if any) must be remitted to the pension fund within 30 days following the month in which the contributions were received from the member or deducted from his or her remuneration.
  - Company normal cost contributions must be remitted to the pension fund within 30 days after the end of the month for which the contributions are payable.
  - Special payments must be remitted to the pension fund in the month for which they are payable.
- The **prior year credit balance** is
  - The PYCB stated in the last report in respect of the Plan under the Regulation; plus
  - The total amount of contributions made to the Plan by the Company after the valuation date of the last report in respect of the Plan and before the valuation date for the report being prepared; less
  - The total minimum amount of contributions required to have been made after the valuation date of the last report in respect of the Plan and before the valuation date for the report being prepared, if the contributions had been calculated without reference to any PYCB.

  The Company may choose to set the PYCB between nil and the amount as calculated above, but may not recapture the amount forfeited at any time.
- **Solvency/Hypothetical wind up assets** are the market value of pension fund assets adjusted to reflect contributions, benefit payments, transfers and fees/expenses in-transit at the valuation date.
- The **solvency asset adjustment** is an adjustment that may be made to the solvency assets to reflect:
  - The impact of using an averaging method that stabilizes short-term fluctuations in the market value of the Plan's assets calculated over a period of not more than five years; plus

- The present value of any remaining special payments required to liquidate any unfunded liability (for service not previously recognized for benefit determination purposes) established after December 31, 1987; plus
- The present value of any remaining special payments other than those above that are scheduled for payment within six years after the valuation date. This period of years may be longer if the Company has elected temporary funding relief options 3 and/or 5.

- The **solvency liabilities** are the actuarial present value of benefits earned in respect of service prior to the valuation date determined as if the Plan were wound up on the valuation date and taking into account Section 74 of the *Pension Benefits Act* (i.e., grow-in). In calculating the solvency liabilities, which includes plant closure benefits or permanent layoff benefits that would be immediately payable if the Plan sponsor's business was discontinued on the valuation date, the *Pension Benefits Act* and its Regulations permit the exclusion of the following benefits:
  - Any escalated adjustments;
  - "Excluded plant closure benefits" that the Company elected on November 26, 1992 to exclude;
  - "Excluded permanent layoff benefits" that the Company elected on November 26, 1992 to exclude;
  - Special allowances other than those where the member has met all age and service eligibility requirements;
  - Consent benefits other than those where the member has met all eligibility requirements except the consent of the employer, or in the case of a jointly sponsored pension plan, the consent of the employer or the administrator;
  - Prospective benefit increases;
  - Potential early retirement window benefit values; and
  - Pension and ancillary benefits payable under a qualifying annuity contract.

  The solvency liabilities are determined using benefit entitlements on the assumption that the Plan has neither a surplus nor a deficit. The solvency liabilities are calculated using the solvency valuation assumptions summarized in Appendix E of this report.

- The **solvency liability adjustment** is an adjustment that may be made to the solvency liabilities to reflect the impact of using a solvency valuation discount rate for discounting the liability that is the average of market discount rates calculated over the same period of time as that used in the calculation of the solvency asset adjustment.
- The **solvency position** is the difference between the solvency assets (net of estimated wind up expenses) and the solvency liabilities.
- The **solvency ratio** compares the solvency assets to the solvency liabilities for purposes of Subsections 14(2) and (3) of the Regulations of the *Pension Benefits Act* to determine the latest effective date of the next required valuation.
- The **solvency surplus/(deficiency)** is the solvency position, increased by the solvency asset adjustment and the solvency liability adjustment, then decreased by the PYCB.
- The **special payments** are payments required to liquidate the unfunded liability and/or solvency deficiency:

- – The going concern special payments are payments required to liquidate the unfunded liability, with interest at the going concern valuation discount rate, by equal monthly instalments over a period of 15 years beginning no later than 12 months from the valuation date of the report in which the going concern unfunded liability was determined.
- – The solvency special payments are payments required to liquidate the solvency deficiency, with interest at the solvency valuation discount rate, by equal monthly instalments over a period of five years beginning no later than 12 months from the valuation date of the report in which the solvency deficiency was determined. This period of years may be longer if the Company has elected temporary funding relief options 3 and/or 5.

- The **surplus/(unfunded liability)** is the difference between the actuarial value of assets and the sum of the going concern liabilities and the PYCB.
- The **total normal cost** is the actuarial present value of benefits expected to be earned in respect of service for each year starting on the valuation date. Required member contributions (if any) are deducted from the total normal cost to determine the company normal cost. The total normal cost is calculated using the going concern valuation assumptions and methods summarized in Appendix D of this report.
- The **transfer ratio** compares the solvency assets, minus the lesser of the PYCB and the required company contributions until the next required valuation (before application of the PYCB), to the solvency liabilities plus the liability of any excluded benefits (except for pension benefits and ancillary benefits payable under a qualifying annuity contract). If the transfer ratio is less than 1.00, lump-sum transfers from the pension fund under Section 42 of the *Pension Benefits Act* are limited to the commuted value of the member's pension multiplied by the transfer ratio. The administrator may transfer the entire commuted value if:
  - – The administrator is satisfied that an amount equal to the transfer deficiency has been remitted to the pension fund; or
  - – The aggregate of transfer deficiencies for all transfers made since the last valuation date does not exceed 5% of the Plan's assets at that time.

  In June 2009, Subsection 19 of the Regulations of the *Pension Benefits Act* was amended and Policy T800-402 was released. The Policy imposes additional restrictions for payment of commuted values under certain circumstances.

Appendix B: Assets

Asset Data

The Plan’s assets are held by CIBC Mellon. The asset information presented in this report is based on the financial statements of the pension fund prepared by CIBC Mellon, and audited by Deloitte LLP.

Tests of the sufficiency and reliability of the asset data were performed and the results were satisfactory. The tests included:

- A reconciliation of actual cash flow with expected cash flow from the previous actuarial report; and
- A reconciliation of any anticipated benefit payments in 2014 and 2015 (for retirees, terminated or deceased employees) against the financial statements of the pension fund for confirmation of payments.

Market Value of Assets

The following is a summary of the composition of the Plan's assets by asset type as reported by the Company as at December 31, 2015. For comparison purposes, the composition at the previous valuation date of December 31, 2013 is also shown.

	December 31, 2015	December 31, 2013
	%	%
Fixed-income	66%	72%
Equities	34%	28%
Total Invested Assets	**100%**	**100%**

Target Asset Mix

The target asset mix of the Plan is contained in the Plan's Statement of Investment Policies and Procedures and is as follows:

	Minimum	Target	Maximum
Fixed-income	50%	60%	80%
Equities	20%	40%	50%
		100%	

Reconciliation of Changes in Market Value of Assets

The table below reconciles changes in the market value of assets between December 31, 2013 and December 31, 2015.

(000's)	2014	2015
Market Value of Assets, Beginning of Plan Year	**$ 1,301,497**	**$ 1,185,110**
Contributions During Plan Year		
Member	$ 0	$ 0
Company normal cost	0	0
Company special payments	0[1]	20,240
Company transfer deficiency payments	0	0
Company ongoing expenses	0	0
Total	**$ 0**	**$ 20,240**
Benefit Payments During Plan Year		
Non-retired members[2]	$ (138,161)	$ (57,497)
Retired members	(77,242)	(76,417)
Total	**$ (215,403)**	**$ (133,914)**
Transfers During Plan Year		
Into plan	$ 0	$ 0
Out of plan	0	0
Total	**$ 0**	**$ 0**
Fees/Expenses		
Investment fees/expenses	$ (3,907)	$ (3,749)
Non-investment fees/expenses	(1,571)	(1,163)
Total	**$ (5,478)**	**$ (4,912)**
Investment Income	**$ 104,494**	**$ 63,849**
Market Value of Assets, End of Plan Year	**$ 1,185,110**	**$ 1,130,373**
Rate of return, net of fees/expenses	8.3%	5.2%

[1] The Company prefunded the required contribution for 2014 of $13,940,000 through a contribution of $15,000,000 made in December 2013. The prepayment is included in the above opening market value of assets at January 1, 2014, and was held as a PYCB in the December 31, 2013 valuation report.

[2] Includes members who have terminated employment or died

Development of Adjusted Market Value of Assets

The adjusted market value of assets is equal to the market value of assets adjusted to reflect any contributions, benefit payments, transfers and fees/expenses in-transit as of the valuation date. The development of the adjusted market value of assets is shown below.

(000's)		**December 31, 2015**
Market value of assets	$	1,130,373
Contributions receivable		6,747
Benefit prepayments		5,979
Transfers (payable)/receivable		0
Fees/expenses (payable)		(1,129)
Adjusted Market Value of Assets	**$**	**1,141,970**

Development of Actuarial Value of Assets

The actuarial value of assets is equal to the adjusted market value of assets.

Appendix C: Membership Data

Source of Data

This funding valuation was based on member data provided by the Company as of December 31, 2015. Tests of the sufficiency and reliability of the member data were performed and the results were satisfactory. The tests included:

- A reconciliation of membership status against the membership status at the last valuation. This test was performed to ensure that all members were accounted for. A summary of this reconciliation follows on the next page;
- A reconciliation of birth, hire, and participation dates against the corresponding dates provided for the last valuation to ensure consistency of data;
- A reconciliation of credited service against the corresponding amount provided for the last valuation to ensure that there was no additional credited service over that reported in the valuation at December 31, 2013;
- A reconciliation of pensionable earnings against the corresponding amounts provided for the last valuation to identify any unusual increases or decreases (more than 20%);
- A reconciliation of accrued benefits against the corresponding amounts provided for the last valuation to identify any unusual benefit accruals;
- A reconciliation of any stated benefit payments in 2014 and 2015 (for retired, terminated or deceased employees) against the financial statements of the pension fund for confirmation of the payments; and
- A reconciliation of inactive member benefit amounts against the corresponding amounts provided for the last valuation to ensure consistency of data.

There was no information missing from the data, so no assumptions were required with respect to such data.

A copy of the administrator certification certifying the accuracy and completeness of the member data (and the Plan provisions summarized in this report) is included in Appendix G of this report.

Membership Summary

The table below reconciles the number of members as of December 31, 2015 with the number of members as of December 31, 2013 and the changes due to experience in the period.

	Active and Disabled	**Transferred**	**Suspended**	**Deferred Vested**	**Retired**	**Total**
Members, December 31, 2013	**6,871**	**312**[1]	**256**	**819**	**14,372**	**22,630**
Death						
Paid lump sum	(33)	(1)	-	(1)	-	(35)
No further benefits	-	-	-	-	(772)	(772)
With surviving spouse	-	-	-	-	(174)	(174)
New surviving spouse	-	-	-	-	174	174
Retirement						
Immediate pension	(303)	(3)	(63)	(41)	410	-
Paid lump sum	(368)	(11)	(93)	-	-	(472)
Termination of employment						
Pending election	(434)	(12)	446	-	-	-
Paid lump sum	(1,836)	(100)	(302)	(370)	-	(2,608)
Deferred pension	(46)	(1)	(49)	96	-	-
Data correction	3	-	-	(2)	5	6
Net change	(3,017)	(128)	(61)	(318)	(357)	(3,881)
Members, December 31, 2015	**3,854**	**184**	**195**	**501**	**14,015**	**18,749**

[1] Consists of members transferred to: JP Morgan as of December 18, 2005 and January 1, 2006; and Thomas Cook Travel as of January 30, 2011

Active and Disabled Members

	As of December 31, 2015			As of December 31, 2013		
	Full-Time	**Part-Time**	**Total**	**Full-Time**	**Part-Time**	**Total**
Number	2,680	1,174	**3,854**	4,756	2,115	**6,871**
Average age	53.4	57.9	**54.7**	52.3	57.2	**53.8**
Average credited service	10.8	6.8	**9.6**	11.4	6.8	**10.0**
Average continuous service	21.4	21.5	**21.4**	19.9	19.3	**19.7**
Average age at hire	31.9	36.3	**33.2**	32.4	37.9	**34.1**
Average 2015 valuation pay[1]	$ 48,208	$ 28,773	**$ 42,288**	$ 44,303	$ 28,095	**$ 39,313**
Proportion female	54.8%	84.8%	**63.9%**	54.8%	83.7%	**63.7%**

JP Morgan Transferred Members

	December 31, 2015	**December 31, 2013**
Number	91	144
Average age	48.6	46.0
Average annual lifetime pension	$ 3,711	$ 2,848
Proportion female	83.5%	76.4%

Thomas Cook Transferred Members

	December 31, 2015	**December 31, 2013**
Number	93	168
Average age	50.1	48.1
Average annual lifetime pension	$ 4,652	$ 4,291
Proportion female	95.7%	94.6%

[1] Valuation pay includes pensionable earnings plus three-year average bonus

Suspended Members

	December 31, 2015	December 31, 2013
Number	195	256
Average age	54.3	54.5
Average annual lifetime pension	$ 4,907	$ 6,000
Proportion female	57.9%	53.1%

Deferred Vested Members

	December 31, 2015	December 31, 2013
Number	501	819
Average age	48.8	48.0
Average annual lifetime pension	$ 2,857	$ 3,170
Proportion female	46.1%	51.2%

Retired Members and Beneficiaries

	December 31, 2015	December 31, 2013
Number	14,015	14,372
Average age	75.7	74.6
Average annual lifetime pension	$ 5,141	$ 4,934
Proportion female	67.8%	67.9%

Active and Disabled Membership Distribution

The following table provides a detailed summary of the active and disabled membership at the valuation date by years of credited service and by age group.

Age	<5	5-10	10-15	15-20	20-25	25-30	30-35	>=35	Grand Total
<30	6								6
	$35,415								$35,415
30-35	66	4							70
	$48,388	$50,775							$48,525
35-40	95	73	4						172
	$51,321	$59,915	$58,485						$55,135
40-45	105	127	52	3					287
	$44,490	$55,281	$55,728	$56,738					$51,429
45-50	156	142	106	66	8				478
	$41,997	$46,770	$43,961	$62,178	$56,774				$46,884
50-55	194	217	157	95	73	10			746
	$36,424	$44,631	$38,026	$50,777	$58,871	$59,956			$43,488
55-60	246	287	181	100	62	69	30		975
	$36,996	$38,729	$37,354	$45,555	$56,328	$57,466	$55,532		$41,699
60-65	208	258	166	67	23	31	46	10	809
	$32,009	$34,719	$34,992	$40,167	$45,989	$48,360	$50,708	$75,205	$36,782
>=65	97	93	80	23	4	7	5	2	311
	$29,424	$33,575	$30,593	$30,451	$51,315	$38,662	$38,012	$33,866	$31,698
Total									
Count	1,173	1,201	746	354	170	117	81	12	3,854
Average 2015 valuation pay	$38,520	$42,564	$38,578	$48,149	$55,924	$54,141	$51,711	$68,315	$42,288

Transferred, Suspended, Deferred Vested and Retired Membership Distribution

The following table provides a detailed summary of the transferred, suspended, deferred vested and retired and beneficiaries membership at the valuation date by age group.

Age	Transferred and Suspended Members	Deferred Vested Members	Retired Members and Beneficiaries	Grand Total
<50	149	254	1	404
	$ 3,208	$ 2,105	$ *	$ 2,513
50-55	86	125	4	215
	$ 5,460	$ 3,171	$ 12,642	$ 4,263
55-60	66	99	219	384
	$ 7,111	$ 4,424	$ 8,063	$ 6,961
60-65	51	22	1,400	1,473
	$ 4,842	$ 2,566	$ 9,730	$ 9,453
65-70	21	1	2,626	2,648
	$ 2,434	$ *	$ 7,711	$ 7,668
70-75	4		2,611	2,615
	$ 1,913		$ 5,500	$ 5,495
75-80	1		2,620	2,621
	$ *		$ 3,577	$ 3,578
>=80	1		4,534	4,535
	$ *		$ 2,784	$ 2,784
Count	**379**	**501**	**14,015**	**14,895**
Average Annual Lifetime Pension	**$ 4,565**	**$ 2,857**	**$ 5,141**	**$ 5,049**

∗ Data not shown for member privacy

Appendix D: Going Concern Assumptions and Methods

Assumptions and Methods

A member's entitlements under a pension plan are generally funded during the period over which service is accrued by the member. The cost of each member's benefits is allocated in some fashion over the member's service. An actuarial valuation provides an assessment of the extent to which allocations relating to periods prior to a valuation date (often referred to as the actuarial liabilities) are covered by the plan's assets.

The going concern valuation provides an assessment of a pension plan on the premise that the plan continues on into the future indefinitely based on assumptions in respect of future events upon which a plan's benefits are contingent and methods that effectively determine the way in which a plan's costs will be allocated over the members' service. The true cost of a plan, however, will emerge only as experience develops, investment earnings are received, and benefit payments are made.

This appendix summarizes the going concern assumptions and methods that have been used for the going concern valuation of the Plan at the valuation date. The going concern assumptions and methods have been chosen to reflect our understanding of the Plan's funding objectives with due respect to accepted actuarial practice and regulatory constraints. For purposes of this valuation, the going concern methods and assumptions were reviewed and changes as indicated were made.

The actuarial assumptions and methods used in the current and previous valuations are summarized below and described on the following pages.

	December 31, 2015	December 31, 2013
Economic Assumptions		
Discount rate	4.90% per year (net of fees and expenses and margin for adverse deviations)	5.00% per year (net of fees and expenses and margin for adverse deviations)
Increases in pensionable earnings		
Full-time active members	3.00% per year plus merit. See Table D following	Same
Part-time active members	3.00% per year plus merit. See Table E following	Same
Increases in year's maximum pensionable earnings (“YMPE”)	Actual to 2016. 2.75% per year thereafter	Actual to 2014. 3.00% per year thereafter
Increases in maximum pension limit	In accordance with *Income Tax Act*, then 2.75% per year	In accordance with *Income Tax Act*, then 3.00% per year
Increases in Consumer Price Index	2.25% per year	2.50% per year
Postretirement benefit increases	0.50% per year	Same
Demographic Assumptions		
Mortality table	CPM2014Priv combined with mortality improvement scale CPM-B (sex-distinct)	CPM2014Priv combined with mortality improvement scale CPM-B (sex-distinct rates, with pension size M=1.026, F=1.041)
Retirement rates		
Active, disabled, transferred, and suspended members	Table A following	Same
Deferred vested members	Age member elected at termination	Same
Retired members and beneficiaries	Not applicable	Same
Withdrawal rates		
Voluntary withdrawals		
Full-time	Table B following	Same
Part-time	Table C following	Same
Involuntary withdrawals	None assumed	Same
Proportion married		
Non-retired spousal proportion	80%	Same
Non-retired spousal age differential	Males three years older	Same
Retired members and beneficiaries	Actual marital status and ages are used	Same

	December 31, 2015	December 31, 2013
Methods		
Actuarial cost method	Projected Unit Credit (prorated on service)	Same
Asset valuation method	Market value of assets adjusted to reflect contributions and benefit payments in transit as of the valuation date	Same
Expenses	Included as a deduction from the discount rate	Same
Margin for adverse deviations	0.45%	0.50%
Contingent benefits	None	Same
Benefits excluded	None	Same

Table A—Retirement Rates

Sample age based retirement rates are in accordance with the following table:

Age	Credited Service <20 years	Credited Service >=20 years
54	0%	0%
55	10%	15%
56	10%	12%
57	10%	12%
58	10%	15%
59	10%	15%
60	15%	25%
61	15%	15%
62	15%	15%
63	15%	15%
64	20%	25%
65	35%	35%
66	20%	20%
67	20%	20%
68	20%	20%
69	100%	100%

Table B—Withdrawal Rates

Full-time withdrawals per 1,000 members:

Present Age	Male	Female	Present Age	Male	Female
15	235	233	35	134	145
16	235	233	36	138	140
17	235	233	37	122	135
18	235	233	38	116	130
19	229	228	39	110	124
20	223	223	40	104	119
21	217	218	41	98	114
22	211	212	42	93	109
23	205	207	43	87	104
24	199	202	44	81	99
25	193	197	45	75	93
26	187	192	46	69	88
27	181	187	47	63	83
28	176	181	48	57	78
29	170	176	49	51	73
30	164	171	50	45	67
31	158	166	51	39	62
32	152	161	52	33	57
33	146	156	53	27	52
34	140	150	54	21	47
			55 and over	0	0

Table C—Withdrawal Rates

Part-time withdrawals per 1,000 members:

Present Age	Male	Female	Present Age	Male	Female
15	294	285	35	200	189
16	294	285	36	194	183
17	294	285	37	189	178
18	294	285	38	183	172
19	288	279	39	177	166
20	283	273	40	172	161
21	277	268	41	166	155
22	272	262	42	161	149
23	266	257	43	155	144
24	261	251	44	150	138
25	255	245	45	144	133
26	250	240	46	139	127
27	244	234	47	133	121
28	239	228	48	128	116
29	233	223	49	122	110
30	227	217	50	116	104
31	222	211	51	111	99
32	216	206	52	105	93
33	211	200	53	100	87
34	205	195	54	94	82
			55 and over	0	0

Table D—Merit Increases

Full-time merit increases:

Present Age	Unisex	Present Age	Unisex
15	5.60%	35	2.50%
16	5.60%	36	2.36%
17	5.60%	37	2.22%
18	5.60%	38	2.08%
19	5.60%	39	1.94%
20	5.60%	40	1.80%
21	5.60%	41	1.64%
22	5.60%	42	1.48%
23	5.60%	43	1.32%
24	5.60%	44	1.16%
25	5.00%	45	1.00%
26	4.74%	46	0.90%
27	4.48%	47	0.80%
28	4.22%	48	0.70%
29	3.96%	49	0.60%
30	3.70%	50	0.50%
31	3.46%	51 and over	0.00%
32	3.21%		
33	2.97%		
34	2.73%		

Table E—Merit Increases

Part-time merit increases:

Present Age	Unisex	Present Age	Unisex
15	2.06%	40	1.71%
16	2.06%	41	1.69%
17	2.06%	42	1.67%
18	2.06%	43	1.64%
19	2.06%	44	1.62%
20	2.06%	45	1.60%
21	2.06%	46	1.57%
22	2.06%	47	1.55%
23	2.06%	48	1.53%
24	2.06%	49	1.50%
25	2.06%	50	1.48%
26	2.04%	51	1.46%
27	2.01%	52	1.43%
28	1.99%	53	1.41%
29	1.97%	54	1.39%
30	1.94%	55	1.41%
31	1.92%	56	1.37%
32	1.90%	57	1.34%
33	1.87%	58	1.30%
34	1.85%	59	1.27%
35	1.83%	60	1.23%
36	1.80%	61	1.20%
37	1.78%	62	1.16%
38	1.76%	63	1.13%
39	1.73%	64	1.09%
		65	1.06%
		66	1.02%
		67 and over	1.00%

Justification of Actuarial Assumptions and Methods

Economic Assumptions

Discount Rate

We have used a discount rate of 4.90% per year.

The overall expected return ("best-estimate") is 5.65% per year, which is based on an inflation rate of 2.25% per year, yielding a real rate of return on the pension fund assets of 3.40% per year. This overall expected return was developed using best-estimate returns for each major asset class in which the pension fund is invested. A Monte Carlo simulation is performed where the portfolio returns are projected assuming annual rebalancing. Expected plan cash flows are projected reflecting the plan's time horizon and discounted using the simulated returns. The internal rate of return is then calculated for each scenario and the average is used to develop an overall best-estimate rate of return for the entire pension fund. Gains from rebalancing and diversification are implicit to this return.

The above determined rate of return has been established based on the Company's investment policy and its funding policy (whether formal or informal) and objectives. There may be some barriers to achieving this return such as inflation higher than expected, asset returns lower than expected, and assets and liabilities that are mismatched. We have derived a going concern discount rate which reflects the Company's investment policy combined with a margin for adverse deviation so as to account for the variables mentioned above. The following chart lays out the adjustments that have been made to the overall expected rate of return in order to arrive at our going concern discount rate assumption:

Development of Discount Rate

Overall expected return				5.65%
Non-investment expenses				(0.10)%
Investment expenses				
Passive	(1)	(0.20)%		
Actively managed	(2)	(0.20)%		
			(1)+(2)	(0.40)%
Additional returns due to active management				0.20%
Margin for adverse deviations				(0.45)%
Unrounded Discount Rate				**4.90%**

Therefore, we have arrived at a discount rate of 4.90% per year.

Inflation Rate

The inflation rate is assumed to be 2.25% per year. This reflects our best estimate of future inflation considering current economic and financial market conditions.

Increases in Pensionable Earnings

We have assumed future salary increases will be 3.00% per year plus merit and promotion increases. We assume rates of increase as a result of individual employee merit and promotion based on a scale which varies by age and service as shown in Tables D and E of the Assumptions and Methods section of this report. The expected rate of base salary increases plus the merit and promotion scale represent the Company's long-term expectations of salary increases. Although we have lowered the assumed inflation rate this valuation, we have kept the salary increase assumption unchanged at the current level. The assumption will continue to be monitored and any long-term expected changes in base salary increases will be reflected in future valuations as necessary.

Increases in YMPE

As the benefits paid to a member from the Plan are dependent on the future YMPE, it is necessary to make an assumption regarding the future increases in the YMPE.

The YMPE was assumed to increase up until the time the member retires, dies or terminates from active employment at 2.75% per year. This is comprised of an annual increase of 2.25% on account of inflation, plus 0.50% on account of productivity, which is consistent with historical real economic growth and future expectations.

Increases in the Maximum Pension Limit

Pensions are limited to the maximum limits under the *Income Tax Act*. The maximum lifetime annual pension per year of pensionable service payable under the *Income Tax Act* is $2,890.00 in 2016. It is assumed that the maximum limit will increase at 2.75% per year commencing in 2017. This is comprised of an annual increase of 2.25% on account of inflation, plus 0.50% on account of productivity, which is consistent with historical real economic growth and future expectations.

Expenses

Since the discount rate has been established net of all expenses, no explicit assumption is required for all expenses.

Economic Margins for Adverse Deviations

Margins for conservatism or provisions for adverse deviation have been built into the going concern assumptions where appropriate.

The margins have been chosen so as to balance the need for financial security for existing Plan members against overly conservative contribution requirements that potentially result in intergenerational inequity among members and unnecessary financial strain on the Plan sponsor.

A margin for adverse deviations of 0.45% has been reflected in the interest rate assumption.

The actuary has discussed the Plan's experience with the Company and compared it to the expected experience. The actuary has discussed with the Company the implications of incorporating margins for adverse deviations and the Company is fully cognizant and supports incorporating margins for adverse deviations.

Demographic Assumptions

Mortality

We have based our mortality assumption on the findings of the CIA study of Canadian pensioner mortality levels and trends. In 2015, the Company reviewed the Plan experience from 2009 to 2014, compared to the mortality tables published by the CIA. The mortality experience study indicated the 2014 Canadian Private Sector Pensioners' Mortality Table combined with mortality improvement scale CPM-B is an appropriate assumption for the Plan's population.

Retirement

Retirement rates are typically developed taking into account the past experience of the Plan. Accordingly, the rates of retirement have been developed as our expectation of the best-estimate rates of retirement based on the plan provisions and plan experience in recent years.

The Plan has heavily subsidized early retirement provisions, especially for members with long service. The Plan also provides a temporary bridge pension. Accordingly, pension commencement age is an important factor in plan costs. The retirement rates were established at the last valuation as of December 31, 2010 based on plan experience between 2008 and 2010. These rates continue to be appropriate expectations of the rates of retirement based on the plan provisions.

Termination of Employment

A member's benefit entitlement under the Plan is affected by whether the member terminates employment prior to retirement for reasons other than death. In order to account for this in the calculation of the actuarial liability, an assumption regarding the probability that a member will terminate employment for reasons other than death has been made.

The termination rates were developed based on a prior review of plan experience. Subsequent actuarial valuations indicate that these rates remain appropriate as the resulting actuarial gains and losses have been relatively small. Consequently, the termination rates are considered to be best estimate.

Option Elections on Termination

We have assumed that 20% of members who are not retirement eligible at termination will elect a deferred annuity, and 80% will elect a commuted value transfer or cash on termination. In recognition of the lower prevailing discount rates to determine commuted values, we have employed a different discount rate basis used to calculate termination benefits for those electing a deferred annuity versus those that elect a lump-sum transfer value. The discount rate applied for those assumed to elect a commuted value transfer is the same rate used to determine pension commuted values for terminations in December 2015 of 2.10% per year for 10 years, 3.70% per year thereafter.

Effective March 1, 2014, members who are retirement eligible at termination have the option to elect to transfer out the commuted value of their pension entitlement to another locked-in retirement savings vehicle in lieu of receiving an immediate pension from the Plan. There is currently insufficient plan experience to build an appropriate long term assumption for the expected rate at which retirement eligible members will make this election. We note that the experience seen in 2014 and 2015 for members electing to transfer their commuted value was abnormally high due to the business restructuring activities. It is not expected to see this continue long-term. We have therefore kept our assumption unchanged with respect to retirement eligible members. We will continue to monitor actual plan experience in order to build an appropriate long-term assumption, and will update this assumption in subsequent actuarial valuations, if necessary.

Proportion of Members with Spouses and Spousal Age Differential

These assumptions are relevant to the valuation of benefits since there is a subsidized joint and survivor benefit available for members with a spouse. The proportion of members who will have a spouse is based on broad population statistics. The spousal age difference was based on broad population statistics.

The spousal age difference assumption has very little impact on the valuation results.

Other

Actuarial Cost Method

An actuarial cost method is a technique used to allocate in a systematic and consistent manner the expected cost of a pension plan over the years of service during which Plan members earn benefits under the Plan. By funding the cost of a pension plan in an orderly and rational manner, the security of benefits provided under the terms of the Plan in respect of service that has already been rendered is significantly enhanced.

The projected unit credit actuarial cost method has been used for this valuation. Under this method, the actuarial present value of benefits in respect of service prior to the valuation date, but based on pensionable earnings projected to retirement, is compared with the actuarial asset value, revealing either a surplus or an unfunded actuarial liability.

With respect to service after the valuation date, the expected value of benefits for service in the year following the valuation date (i.e., the normal cost) net of any required employee contributions is expressed as a percentage of the expected value of participating payroll for that year. The employer normal cost contributions are determined each year by applying this percentage to the actual participating payroll for the year.

When calculating the actuarial present value of benefits at the valuation date, the present value of all retirement, withdrawal and preretirement death benefits are included. For each member, the retirement, withdrawal and preretirement death benefits for a particular period of service are first projected each year into the future taking into account future vesting, early retirement entitlements and minimum pension/value entitlements. These projected benefits for each future year are then capitalized, multiplied by the probability of the member leaving the Plan in that year and discounted with interest and survivorship to the valuation date. The actuarial present value of benefits for the particular period of service is then determined by summing the present values of these projected benefits.

The pattern of future contributions necessary to pre fund future benefit accruals for any one particular individual will increase gradually as a percentage of their pensionable earnings as the individual approaches retirement. For a stable population (i.e., one where the demographics of the group remain constant from year to year), the normal cost will remain relatively level as a percentage of payroll. The projected unit credit actuarial cost method therefore allocates contributions among different periods in an orderly and rational manner for a stable population group.

In the event of future adverse experience, contributions in addition to the normal cost calculated under the projected unit credit actuarial cost method may be required to ensure that the Plan's assets are adequate to provide the benefits. Conversely, favourable experience may generate surplus which may serve to reduce future contribution requirements

Asset Valuation Method

Market value, adjusted by in-transit cash flows was used as the actuarial value of assets for this valuation. Asset-smoothing techniques are often used to reduce volatility in the company's contribution requirements. However, since this Plan's contributions are primarily being driven by the solvency valuation, we deemed it unnecessary to use an asset-smoothing technique for the going concern valuation.

Appendix E: Solvency and Hypothetical Wind Up Assumptions and Methods

Valuation Assumptions

	December 31, 2015	December 31, 2013
Economic Assumptions		
Discount rate for solvency liability		
Annuity purchase	2.95% per year	3.80% per year
Transfer value	2.10% per year for 10 years; 3.70% per year thereafter	3.00% per year for 10 years; 4.60% per year thereafter
Postretirement benefit increases (hypothetical wind up only)	0.50% per year	0.50% per year
Demographic Assumptions		
Mortality table	CPM2014 combined with mortality improvement scale CPM-B (sex-distinct)	1994 Uninsured Pensioner Mortality Table with generational mortality improvements using Scale AA (sex-distinct)
Withdrawal rates	Not applicable	Same
Retirement age		
Active, disabled, transferred and suspended members	Age that produces the highest lump-sum value[1]	
Deferred vested members	Age member elected at termination	Same
Retired members and beneficiaries	Not applicable	Same
Marital status		
Non-retired spousal proportion	80%	Same
Non-retired spousal age differential	Males three years older	Same
Retired members	Actual marital status and ages are used	Same

[1] As the Plan already gives benefits on termination similar to grow-in (continuous service is determined assuming the member has continued employment to pension commencement date), we have valued grow-in benefits for all members

	December 31, 2015	December 31, 2013
Other		
Wind up expenses	$5,000,000	Same
Contingent benefits	None	Same
Actuarial cost method	Unit credit	Same
Asset valuation method	Market value of assets adjusted to reflect contributions, benefit payments, transfers and fees/expenses in transit as of the valuation date	Same

Solvency/Hypothetical Wind Up Incremental Cost

The assumptions for the expected benefit payments and decrement probabilities, service accruals, and projected changes in benefits and/or pensionable earnings	Same as going concern	Same

Based on the CIA's Guidance and information such as pension legislation, Plan provisions and Plan experience, we have made the following assumptions regarding how the Plan's benefits would be settled on Plan wind up:

	Percent of Liability Assumed to be Settled By Purchase of Annuities	Percent of Liability Assumed to be Settled By Lump-Sum Transfer
Active, Disabled, Transferred and Suspended Members		
Not retirement eligible	20%	80%
Retirement eligible	20%	80%
Deferred Vested Members		
Not retirement eligible	20%	80%
Retirement eligible	100%	0%
Retired Members and Beneficiaries	100%	0%

Benefits Valued

	Solvency Valuation	Hypothetical Wind Up Valuation
Vesting	All accrued benefits are vested	All accrued benefits are vested
Consent benefits	None	None
Grow-in benefits	As the Plan already gives benefits on termination similar to grow-in (continuous service is deemed to be the length of time as if the member has continued to pension commencement date), we have valued grow-in benefits for all members	As the Plan already gives benefits on termination similar to grow-in (continuous service is deemed to be the length of time as if the member has continued to pension commencement date), we have valued grow-in benefits for all members
Exclusions	None	None
Indexing	We have not valued future indexation, in accordance with legislation[1]	Postretirement indexation has been valued on hypothetical wind up

[1] The 0.5% increase granted at January 1, 2016 to eligible pensioners was included in the solvency and hypothetical wind up liabilities as of December 31, 2015.

Justification for Valuation Assumptions

Development of Discount Rates

The development of the discount rates is shown below.

Solvency lump-sum discount rate for 10 years	= V122542[1] + 90 bps = 1.23% + 0.90% **=2.13% (rounded to 2.10%) per year**
Solvency lump-sum discount rate thereafter	= V122544[1] + 0.5 x (V122544[1] – V122542[1]) + 90 bps =2.30% + 0.5 x (2.30% – 1.23%) + 0.90% **= 3.74% (rounded to 3.70%) per year**
Solvency annuity purchase discount rate	= V39062 + Duration Adjustment = 2.03% + 0.92% **= 2.95%**

The CIA's Guidance indicates that the cost of purchasing non-indexed annuities would be estimated based on the duration of the liabilities expected to be settled through annuity purchase. The duration of this Plan was estimated to be 10.55 and the resulting duration adjustment to the unadjusted CANSIM series V39062 interest rate is 0.92%.

We have set the aforementioned assumptions based on guidance prepared by the CIA Committee on Pension Plan Financial Reporting ("PPFRC") in the Educational Note Assumptions for Hypothetical Wind Up and Solvency Valuations with Effective Dates Between December 31, 2015 and December 30, 2016 ("CIA Guidance") released on January 28, 2016.

For benefit entitlements that are expected to be settled by purchase of annuities, we based the assumptions on information compiled by the PPFRC from insurance companies active in the group annuity market.

For benefit entitlements that are expected to be settled by lump-sum transfer, we based the assumptions on Section 3500 (Pension Commuted Values) of the CIA Standards of Practice, using rates corresponding to a valuation date of December 31, 2015.

Mortality Table

The derivation of the discount rate above is in conjunction with the CPM2014 in accordance with the CIA Guidance

Pensionable Earnings

The actual best average earnings were provided by the client.

[1] CANSIM Series (annualized)

Option Elections on Termination

This valuation we have assumed that 20% of all active members (regardless of eligibility for retirement) and 20% of all not retirement eligible deferred vested members will elect a deferred annuity, and the remaining 80% will elect a commuted value transfer or cash payment on termination. This assumption has been updated this valuation to reflect that effective March 1, 2014, retirement eligible members have the option to transfer out the commuted value of their pension. While there is insufficient experience to determine how the plan's population would likely behave in the event of a plan termination, we believe this assumption introduces some conservatism in the current solvency and hypothetical wind up valuations, while we continue to monitor member behaviour and plan experience.

Assumptions Not Needed

The following are not relevant to the solvency or hypothetical wind up valuation:

- Increases in pensionable earnings;
- Termination of employment rates;
- Increases in CPP and OAS benefits (we used the January 1, 2016 rates);
- Increases in *Income Tax Act* maximum pension limit (we used the 2016 maximum); and
- Disability rates.

Estimated Wind Up Expenses

Plan wind up expenses would normally include such items as fees related to preparation of the actuarial wind up report, fees imposed by a pension supervisory authority, legal fees, administration, custodial and investment management expenses. We have assumed these fees would be $5,000,000. We have assumed that the Company will still be solvent on the wind up of the Plan.

Calculation of Special Solvency Payments

We used a discount rate of 2.80% per year to calculate the special payments necessary to liquidate the solvency deficiency. This rate is a weighted average based on the relative proportions of benefit entitlements that are expected to be settled by purchase of annuities and lump-sum transfer.

Actuarial Cost Methods

Unit credit (accrued benefit) cost method as prescribed.

Asset Valuation Method Considerations

Assets for solvency purposes have been determined using adjusted market value.

Incremental Cost on a Solvency Basis

The incremental cost on a solvency basis represents the present value, at the calculation date (time 0), of the expected aggregate change in the solvency liabilities between time 0 and the next calculation date (time t), adjusted upwards for expected benefit payments between time 0 and time t.

An educational note was published in December 2010 by the CIA Committee on PPFRC to provide guidance for actuaries on the calculation of this new information.

The calculation methodology can be summarized as follows:

- The present value at time 0 of expected benefit payments between time 0 and time t, discounted to time 0,

  plus

- Projected solvency liabilities at time t, discounted to time 0, allowing for, if applicable to the pension plan being valued:
  - Expected decrements and related changes in membership status between time 0 and time t,
  - Accrual of service to time t,
  - Expected changes in benefits to time t,
  - A projection of pensionable earnings to time t,

  minus

- The solvency liabilities at time 0.

The projection calculations take into account the following assumptions and additional considerations:

- The assumptions for the expected benefit payments and decrement probabilities, service accruals, and projected changes in benefits and/or pensionable earnings would be consistent with the assumptions used in the pension plan's going concern valuation.
- The assumptions used to calculate the projected liability at time t are consistent with the assumptions for the solvency liabilities at time 0, assuming that interest rates remain at the levels applicable at time 0, that the select period is reset at time t for interest rate assumptions that are select and ultimate and that the Standards of Practice for the calculation of commuted values and the guidance for estimated annuity purchase costs in effect at time 0 remain in effect at time t.
  - Active and inactive Plan members as of time 0 are considered in calculating the incremental cost.

Appendix F: Summary of Plan Provisions

The Sears Canada Inc. Registered Retirement Plan ceased defined benefit service accrual and introduced a defined contribution component with effect on and after July 1, 2008. Credited service ceased to accrue after June 30, 2008 in the defined benefit component of the Plan, however, earnings increases will continue to be recognized while members are in active employment.

Following is a summary of the main provisions of the defined benefit component and the defined contribution component of the Plan.

Effective Date	As amended and restated July 1, 2008
Jurisdiction of Registration	Ontario
History	Sears Canada Inc., formerly Simpsons-Sears Limited, established the Supplementary Pension Plan on January 1, 1971. The Supplementary Pension Plan was incorporated into the Guaranteed Retirement Income Plan from January 1, 1976. The Guaranteed Retirement Income Plan was incorporated into and superseded by the Sears Canada Inc. Registered Retirement Plan on January 1, 1987. The Sears Canada Inc. Registered Retirement Plan ceased defined benefit service accrual and introduced a defined contribution provision with effect on and after July 1, 2008.
Eligibility for Membership	Effective July 1, 2008, no new employees may join the defined benefit component of the Plan.
Member Contributions	Members ceased contributions to the defined benefit plan effective July 1, 2008. Interest is credited on members contributions to the plan prior to July 1, 2008 according to: ***Non-Quebec Members*** The average of the yields on five-year trust company guaranteed investment certificates, published in the Bank of Canada Review as CANSIM Series B14080, over the most recent 12-month period. ***Quebec Members*** The average annual rate of return of the fund, less investment expenses and administrative costs, over the 36-month period ending at the end of each calendar year quarter.

Normal Retirement

Eligibility	The last day of the month in which the member attains age 65.

Benefit

Benefit With Respect to the Plan Service On and After January 1, 1987
The sum of a) and b) multiplied by the Pensionable Service on and after January 1, 1987 until July 1, 2008:

a) 1% of the Three-Year Final Average Earnings up to the Three-Year Final Average YMPE, minus 20% of the Three-Year Final Average YMPE; PLUS

b) 1.75% of the Three-Year Final Average Earnings in excess of the Three-Year Final Average YMPE.

Benefit With Respect to GRIP Service Before January 1, 1987
For Members Not Employed in Saskatchewan or Manitoba:
1.75% of the Five-Year Final Average Earnings per year of GRIP Pensionable Service; MINUS

the “other pension benefits” defined as the sum of a), b) and c) below:

a) The member’s Retirement Security Plan Pension;

b) The member’s Profit Sharing Annuity; and

c) The sum of Old Age Security benefit plus the Canada (Quebec) Pension Plan benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

For Members Employed in Saskatchewan or Manitoba:
1.25% of the Five-Year Final Average Earnings up to the Five-Year Final Average YMPE, per year of GRIP Pensionable Service; PLUS

1.75% of the Five-Year Final Average Earnings in excess of the Five-Year Final Average YMPE, per year of GRIP Pensionable Service; MINUS

the “other pension benefits” defined as the sum of a), b) and c) below:

a) The member’s Retirement Security Plan Pension;

b) The member’s Profit Sharing Annuity; and

c) The Canada (Quebec) Pension Plan benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.

Normal Form of Pension	***Members Without a Spouse at Retirement:*** Life Annuity guaranteed for 120 months. ***Members With a Spouse at Retirement:*** Joint and 2/3 Survivor Pension, guaranteed for 120 months. The benefit is actuarially equivalent to the pension payable to a member without a spouse at retirement.

Early Retirement

Eligibility	The last day of any month after the member has attained age 55.
Benefit	The Normal Retirement Benefit accrued to the early retirement date, reduced by:

Continuous Service	Reduction
Service<10	¼% for each month before NRD; plus ¼% for each month before age 60
10<=Service<25	¼% for each month before age 62; plus ¼% for each month before age 60
25<=Service<30	½% for each month before age 60
Service>=30	¼% for each month before age 60

In calculating the Early Retirement Benefit with respect to the GRIP service, the above reduction is not applied to the “other pension benefits”.

Bridge Benefit

Benefit	The sum of Old Age Security benefit plus the Canada (Quebec) Pension Plan benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40. ***For Members Employed in Saskatchewan or Manitoba:*** 0.50% of the Five-Year Final Average Earnings up to the Five-Year Final Average YMPE, per year of GRIP Pensionable Service, reduced by the above Early Retirement Factor; PLUS The Canada Pension Plan benefit, multiplied by the GRIP Pensionable Service, to a maximum of 40, divided by 40.
Form of Payment	***Members Without a Spouse at Retirement:*** Temporary annuity payable for the member’s lifetime, until age 65. ***Members With a Spouse at Retirement:*** Temporary annuity payable for the member’s lifetime, until age 65. If the member dies prior to age 65, the surviving spouse will continue to receive 2/3 of the Bridge Benefit for his/her lifetime, until the deceased member would have turned age 65.

Postponed Retirement

A member may retire on the last day of any month up to November 30 of the year he turns age 71.

The Retirement Benefit is the greater of a) and b) below:

a) Normal Retirement Benefit calculated to Actual Retirement Date.

b) Normal Retirement Benefit calculated using Service to NRD, and actuarially increased to Actual Retirement Date.

Termination of Employment

Benefit

A member who terminates is entitled to either his accrued retirement benefit deferred to age 65, or to transfer a lump-sum value of his deferred pension to a locked-in retirement income equal to the sum of a) and b) below:

a) The commuted value of his pension.

b) The member's excess contributions including accumulated interest.

For members who voluntarily terminate prior to age 55 (or involuntarily terminate with cause):

Accrued normal retirement benefit to date of termination, payable at age 65. Member may elect commencement of benefit as early as age 55 on an actuarially equivalent basis.

For members who are involuntarily terminated prior to age 55:

The termination benefit is calculated in the same manner as the Early Retirement Benefit provided that the early retirement reduction is determined based on the member's continuous service being deemed to be the length of the member's completed continuous service as if the member has continued in active employment until his pension commencement date.

Minimum Transfer Value

The lump-sum value calculated above cannot be less than 150% of the member's required contributions made before July 1, 2008, with accumulated interest.

Death Benefit

Before Retirement	The commuted value of benefit entitlement for the Plan service on and after January 1, 1987 and before July 1, 2008, and for GRIP service before January 1, 1987, determined as if the member had terminated immediately prior to death.
After Retirement	Based on the form of pension elected by the member at retirement.

Postretirement Inflation Adjustment

Eligibility	a) Any member who retired prior to January 1, 2001 and was eligible for an immediate pension at the time of retirement. b) Any member who terminated after December 31, 2000 and was eligible for either an immediate or deferred pension on termination. c) Any beneficiary of a member under a) or b) above.
Commencement	The Postretirement inflation adjustments commence on the January 1 immediately following the member's 65th birthday.
Amount of Adjustment	Effective January 1, 2014, the inflation adjustment made to pensions pay, in any year, is at a fixed rate of 0.50% per year.

Definitions

Pensionable Earnings	The total earnings consisting of wages, salaries, overtime, bonuses, overwrites, commissions, vacation pay and illness allowances. It excludes the value of an employee's taxable benefits and any long-term incentives and other elements of compensation that the Company expressly excludes.
Three-Year Final Average Earnings	The average of the three consecutive years of highest pensionable earnings during the last 10 years of continuous service.
Five-Year Final Average Earnings	The average of the five years of highest pensionable earnings during the last 10 years of continuous service.
Three-Year Final Average YMPE	The average of the year's maximum pensionable earnings in the last three years of continuous service.
Five-Year Final Average YMPE	The average of the year's maximum pensionable earnings in the last five calendar years of continuous service.

JP Morgan Transferred Members

Transition Date	Hourly Transferred Members: December 18, 2005 Salaried Transferred Members: January 1, 2006
Retirement Benefit	The lifetime and bridge benefits determined based on pensionable service, earnings, and YMPE at the Transition Date. Continuous service continues while employed by the Purchaser. The benefits are increased based on Increases in the Average Industrial Wage from the Transition Date to the date of retirement/termination/death, measured by CANSIM II Series VI558664.

Thomas Cook Transferred Members

Transition Date	January 29, 2011
Retirement Benefit	The lifetime and bridge benefits determined based on pensionable service, earnings, and YMPE at the Transition Date. Continuous service continues while employed by the Purchaser. The benefits are increased based on Increases in the Average Industrial Wage from the Transition Date to the date of retirement/termination/death, measured by CANSIM II Series VI558664.

Defined Contribution Component

Effective Date	Effective July 1, 2008, the DC component was added to the Plan.
Member Contributions	Members may contribute 1% to 7% of earnings. Members with defined benefit entitlement as of June 30, 2008 (except Manitoba and Nova Scotia) may elect a 0% contribution. The “default” member contribution if a member does not elect a contribution level is 1% of earnings.
Employer Contributions	The Company matches member contributions according to the following table:

Employee	Employer
0.0%	0.0%
1.0%	0.5%
2.0%	1.0%
3.0%	1.5%
4.0%	2.0%
5.0%	2.5%
6.0%	3.0%
7.0%	3.5%

A copy of a letter from the Company certifying the accuracy and completeness of the plan provisions summarized in this report is included in Appendix G of this report.

Appendix G: Administrator Certification

With respect to the Sears Canada Inc. Registered Retirement Plan, forming part of the actuarial report as at December 31, 2015, I hereby certify that, to the best of my knowledge and belief:

- The asset data provided or made available to the actuary is complete and accurate;
- The membership data and subsequent query answers provided or made available to the actuary are complete and accurate for all persons who are entitled to benefits under the terms of the Plan in respect of service up to the date of the valuation;
- The Plan provisions provided or made available to the actuary are complete and accurate;
- The actuary has been notified of all relevant events subsequent to the valuation measurement date;
- In accordance with Regulation, the Company has elected to defer all new going concern and solvency special payments established as at December 31, 2015 by 12 months; and
- In accordance with Regulation, the Company has elected temporary funding relief option 6.

Bev Church	Senior Director, Treasury & Pension, Sears Canada Inc.
Name (print) of Authorized Signatory	Title
Bev Church	Sept 14, 2016
Signature	Date

About Aon Hewitt

Aon Hewitt empowers organizations and individuals to secure a better future through innovative talent, retirement and health solutions. We advise, design and execute a wide range of solutions that enable clients to cultivate talent to drive organizational and personal performance and growth, navigate retirement risk while providing new levels of financial security, and redefine health solutions for greater choice, affordability and wellness. Aon Hewitt is the global leader in human resource solutions, with over 35,000 professionals in 90 countries serving more than 20,000 clients worldwide across 100+ solutions. For more information on Aon Hewitt, please visit aonhewitt.com.

About Aon

Aon plc (NYSE:AON) is a leading global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 72,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative and effective risk and people solutions and through industry-leading global resources and technical expertise. Aon has been named repeatedly as the world's best broker, best insurance intermediary, reinsurance intermediary, captives manager and best employee benefits consulting firm by multiple industry sources. Visit aon.com for more information on Aon and aon.com/manchesterunited to learn about Aon's global and principle partnership with Manchester United.

TAB G

This is **Exhibit "G"** referred to in the
Affidavit of Hamish Dunlop affirmed August 24, 2018

Commissioner for Taking Affidavits (or as may be)
KIRAN PATEL

MORNEAU SHEPELL

Sears Canada Inc. Registered Retirement Plan

Actuarial Opinion as at October 1, 2017
Prepared May 2018
Ontario registration number: 0360065

Table of Contents

Purpose

This Actuarial Opinion as at October 1, 2017 is included in an Application for "A Declaration that the Pension Benefits Guarantee Fund (the "Application") applies to the Sears Canada Inc. Registered Retirement Plan. (the "Plan")" as respects Ontario members of the Plan.

This Actuarial Opinion is not a wind up report for the Plan. It is based on a roll-forward of the actuarial valuation report as of December 31, 2015 prepared by AON Hewitt (the "AON Report"). The Ontario wind up funded ratio estimated in this Actuarial Opinion is used only to estimate the Plan's Pension Benefits Guarantee Fund ("PBGF") claims; therefore, it should not be used to determine the members' entitlements under section 34 of Regulation 909 (the "Regulations") to the Ontario *Pension Benefits Act* (the "Act"). A wind up report will be prepared when the Administrator has confirmed that the membership data compiled as at the wind up date is sufficiently reliable for that purpose. The Ontario wind up funded ratio for the purposes of section 34 of the Regulations will be established in the wind up report, subject to regulatory approval.

Morneau Shepell Ltd. (the "Administrator") was appointed Administrator of the Plan, effective October 16, 2017, by the Superintendent (the "Superintendent") of Financial Services Commission of Ontario ("FSCO"), pursuant to subsection 8(1.1) of the Act.

On November 6, 2017, the Administrator proposed to the Superintendent that the Plan be wound up as at October 1, 2017 (the "Wind Up Date") pursuant to section 69 of the Act. On March 29, 2018, the Superintendent issued an Order to wind up the Plan, effective October 1, 2017, pursuant to section 69 of the Act.

In this Actuarial Opinion, we are providing the required information for the Application, as set out in the PBGF Filing Requirements and Procedure, Policy Index no. P200-001. This Actuarial Opinion conforms to the Revised PBGF Interim Allocation Process, published on October 28, 2004 and updated effective May 1, 2012 (the "Revised Process").

Section 1 – Statement of Actuarial Position

Statement of Estimated Wind Up Financial Position

The table below presents the financial position of the Plan as at October 1, 2017.

Table 1.1 – Estimated Wind Up Financial Position as at October 1, 2017

	Total Plan	Ontario	Non-Ontario
	$	$	$
Basic Wind Up Assets			
Allocated market value of assets	1,029,941,000	577,735,000	452,206,000
Provision for wind up expenses	(4,000,000)	2,703,000)	(1,297,000)
Estimated Assets at October 1, 2017	**1,025,941,000**	**575,032,000**	**450,909,000**
Basic Wind Up Liabilities			
Active, disabled, transferred members	240,432,000	124,496,000	115,936,000
Suspended members	13,694,000	8,180,000	5,514,000
Deferred vested members	24,372,000	15,913,000	8,459,000
Retired members and beneficiaries	985,653,000	583,003,000	402,650,000
Total Basic Wind Up Liabilities	**1,264,151,000**	**731,592,000**	**532,559,000**
Estimated Wind Up Surplus (Deficiency)	**(238,210,000)**	**(156,560,000)**	**(81,650,000)**

The wind up ratio for the total Plan is estimated to be 81.2% at the Wind Up Date, based on the projection of the December 31, 2015 Plan hypothetical wind up valuation liabilities to the Wind Up Date. The financial position of the Plan may differ significantly when the Plan's benefits are settled. Factors that will affect the amount of deficiency include investment returns earned on the fund, the actual cost of annuities used to settle pension liabilities, the form of benefit settlement chosen by the members, and any data corrections and additions.

Reconciliation of Financial Position

The following table reconciles the Plan's funded position from the AON Report on a hypothetical wind up basis.

Table 1.2 – Reconciliation of Wind Up Financial Position (Total Plan)

	$
Hypothetical Wind Up Surplus / (Deficiency) as at December 31, 2015	**(266,805,000)**
Interest on deficit	(13,820,000)
Change in wind up expenses	1,259,000
Contributions received (with interest at 2.92%)*	53,645,000
Gain / (loss) on assets	(49,537,000)
Change in actuarial basis and plan experience	37,048,000
Estimated Wind Up Surplus / (Deficiency) as at October 1, 2017	**(238,210,000)**

*2.92% is the weighted average discount rate at December 31, 2015

The table below provides a summary of the Modified Ontario Wind Up Liability and the wind up funded ratio at the Wind Up Date:

Table 1.3 – Ontario Modified Wind Up Funded Ratio

	October 1, 2017 ($)
Ontario Wind Up Assets	
Ontario assets (allocated share of Plan assets)	577,735,000
Provision for wind up expenses	(2,703,000)
Net Ontario Wind Up Assets	**575,032,000**
Ontario Modified Wind Up Liability *	
Active, disabled, transferred members	116,665,800
Suspended members	7,774,700
Deferred vested members	15,125,000
Retired members and beneficiaries	540,829,000
Total Ontario Modified Wind Up Liability	**680,394,500**
Wind Up Surplus (Deficiency)	**(105,362,500)**
Ontario Modified Wind Up Funded Ratio	**84.51%**

* indexation is removed in the calculation of the Ontario Modified Wind Up Liability

The Guaranteed Benefit Liability reflects only those benefits guaranteed under sections 84 and 85 of the Act. The following table provides an estimate of the Ontario Guarantee Benefit Liability of the Plan as at October 1, 2017.

Table 1.4 – Ontario Guaranteed Benefit Liability

	October 1, 2017 ($)
Guaranteed Benefit Liability	**536,232,200**

The following table summarizes the determination of the estimated PBGF claim as at the Wind Up Date:

Table 1.5 – Determination of Estimated PBGF Claim at the Wind Up Date

	October 1, 2017 ($)
(a) Guaranteed Benefit Liability	536,232,200
(b) Modified Ontario Wind Up Liability	680,394,500
(c) Net Ontario Assets	575,032,000
(d) Ontario Modified Wind Up Funded Ratio	84.51%
Estimated PBGF Claim [(a) + { (d) * [(b) – (a)] } – (c)]	**83,031,800**

The following table shows the net Ontario Assets and Included Benefit Liability as at March 31, 2018:

Table 1.6 – Estimated Ontario Financial Position at March 31, 2018

	March 31, 2018 ($)
Ontario Wind Up Assets	
Ontario assets (allocated share of Plan assets)	560,038,500
Provision for wind up expenses	(2,144,600)
Estimated Assets	**557,893,900**
Included Benefit Liability	
Active, disabled, and transferred members	102,617,800
Suspended members	7,834,100
Deferred vested members	16,694,100
Retired members and beneficiaries	527,323,300
Total Included Benefit Liability	**654,469,300**
PBGF claim (excess)	**(96,575,400)**

The estimated PBGF claim at the Wind Up Date was $83,031,800. It is estimated that the net Ontario Wind Up Assets are not sufficient to settle the Plan's Ontario Wind up Liabilities as at March 31, 2018. Table 1.7 reconciles, on an approximate basis, how the PBGF claim has developed:

Table 1.7 – Reconciliation of Estimated PBGF Claim

	$
Estimated PBGF claim (excess) as at October 1, 2017	**83,031,800**
(Gain) / loss on assets	10,421,500
Change in actuarial basis and Plan experience	3,122,100
Estimated PBGF claim (excess) as at March 31, 2018	**96,575,400**

Section 2 – Actuarial Opinion

In our opinion, as at the October 1, 2017 Wind Up Date and as at the Valuation Date of March 31, 2018, the Plan's assets were not sufficient to cover the liabilities of Ontario Plan members on a wind up basis. Based on the calculations as at March 31, 2018, the Administrator may submit an Application to the Ontario Superintendent of Pensions for a Declaration that the Pension Benefits Guarantee Fund applies in respect of the Ontario members under the Sears Canada Inc. Registered Retirement Plan.

Also, in our opinion:

> The data on which our opinion is based are sufficient and reliable for the purposes of the Actuarial Opinion.

> The assumptions used are appropriate for the purposes of the Actuarial Opinion.

> The methods employed are appropriate for the purposes of the Actuarial Opinion.

> This Actuarial Opinion has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada.

Richard M. Kular, F.C.I.A.

Philip Fosu, F.C.I.A.

Morneau Shepell
May 31, 2018

Appendix A – Assumptions and Methodology

In determining the assets and liabilities of the Plan, it is necessary to make assumptions with respect to the factors that will affect these amounts in the future. Emerging experience, differing from the assumptions, will result in gains or losses, which will be revealed when the assets of the Plan are disbursed.

Actuarial Assumptions and Methodology

The actuarial assumptions used to develop the financial position as at the Wind Up Date of October 1, 2017 and the March 31, 2018 valuation date are described in the following table.

Table A.1 – Actuarial Assumptions

	October 1, 2017 Valuation	March 31, 2018 Valuation
Annual discount rate (CV)	2.90% per year for 10 years, 3.70% thereafter	2.90% per year for 10 years, 3.70% thereafter
Annual discount rate (annuity)	3.25% per year	3.05% per year
Mortality (CV)	CPM 2014 with CPM-B projection scale	CPM 2014 with CPM-B projection scale
Mortality (annuity)	CPM 2014 with CPM-B projection scale	CPM 2014 with CPM-B projection scale
Actuarial cost method	Unit Credit	Unit Credit

Actuarial Methodology

The liabilities in this Actuarial Opinion are based on a projection of the liabilities in the AON Report forward to the Wind Up Date. For a summary of the assumptions used to determine the liabilities at December 31, 2015 check the AON Report.

Asset Allocation by Province

Because the Plan is less than fully funded, the allocation of assets by province, according to the Multi-Jurisdictional Agreement in effect on the Wind Up Date requires that Plan assets be allocated to provinces based on whether or not indexation was being funded. Because Ontario did not require funding of indexed benefits, non-indexed liabilities were used to apportion Plan assets to Ontario, while indexed liabilities were used with respect to the allocation for all other jurisdictions.

Table A.2 – Allocation of Market Value of Assets at Wind Up Date

Jurisdiction	Liabilities	Asset Allocation	Allocated Assets
	$	%	$
Ontario – non-indexed	680,394,500	56.09	577,735,000
Non-ON - indexed	532,561,000	43.91	452,206,000
Total	**1,212,955,500**	**100.00**	**1,029,941,000**

Contingency Reserve (CR)

We have not included a CR in our calculations as a result of FSCO's updated policy effective May 1, 2012.

Provision for Adverse Deviation (PfAD)

Since the calculations are based on assumptions, experience gains and losses will occur. A PfAD is used to cover potential losses due to adverse experience.

We have not included a PfAD in our calculations.

Appendix B – Assets

Asset Reconciliation

We have relied on the CIBC Mellon fund statement for the asset information. We have reviewed the statement for reasonableness. The following table reconciles the assets from October 1, 2017 to March 31, 2018 on a market value basis.

Table B.1 – Asset Reconciliation

	Ontario	Total Plan
	$	$
Allocated market value of assets at Wind Up Date	**577,734,500**	**1,029,940,800**
Receipts:		
• Contributions	-	-
• Investment returns	19,925,400	35,521,400
Total receipts	19,925,400	35,521,400
Disbursements:		
• Benefit payments	29,107,400	51,890,400
• Fees and expenses	8,514,000	15,178,100
Total disbursements	37,621,400	67,068,500
Allocated market value of assets at March 31, 2018	**560,038,500**	**998,393,700**

Appendix C – Summary of Plan Provisions

Please refer to the AON Report for a summary of the Plan terms. No changes to the provisions have been made, and the liabilities were rolled forward from the previous valuation.

TAB H

This is **Exhibit "H"** referred to in the
Affidavit of Hamish Dunlop affirmed August 24, 2018

Commissioner for Taking Affidavits (or as may be)
KIRAN PATEL

Superintendent of Financial Services

Surintendant des services financiers

Ontario

IN THE MATTER OF the *Pension Benefits Act*, R.S.O. 1990, c. P.8, as amended (the "*PBA*");

AND IN THE MATTER OF a Notice of Intended Decision of the Superintendent of Financial Services to Make an Order under section 69 of the *PBA* relating to the Sears Canada Inc. Registered Retirement Plan, Registration Number 0360065.

NOTICE OF INTENDED DECISION

TO: **Morneau Shepell Ltd.**
895 Don Mills Road
Tower One, Suite 700
Toronto ON M3C 1W3

Attention: Al Kiel
Managing Partner

Administrator

AND TO: **Sears Canada Inc.**
700-290 Yonge Street,
Toronto ON M5B 2C3

Attention: Bev Church
Senior Director, Treasury

Employer

I INTEND TO MAKE AN ORDER in respect of the Sears Canada Inc. Registered Retirement Plan, Registration Number 0360065, (the "Plan") under section 69 of the *PBA*.

Si vous désirez recevoir cet avis en français, veuillez envoyer votre demande immédiatement à: Adjointe, audiences, Greffe, Commission des service financiers de l'Ontario, 5160 rue Yonge, boîte 85, Toronto ON M2N 6L9.

YOU ARE ENTITLED TO A HEARING by the Financial Services Tribunal (the

"Tribunal") pursuant to section 89(6) of the *PBA*. **A hearing before the Tribunal about this Notice of Intended Decision may be requested by completing the enclosed Request for Hearing (Form 1) and submitting it to the Tribunal within 30 days after this Notice of Intended Decision is served on you.[1] A copy of that form is included with this Notice of Intended Decision.** Additional copies can be obtained by visiting the Tribunal's website at www.fstontario.ca.

IF A REQUEST FOR HEARING (Form 1) is submitted to the Tribunal within 30 days after this Notice of Intended Decision is served on you, sections 89(8) and 89(9) of the *PBA* provide that the Tribunal shall appoint a time for and hold a hearing, and by order may direct the Superintendent of Financial Services (the "Superintendent") to make or refrain from making the intended decision indicated in this notice and to take such action as the Tribunal considers the Superintendent ought to take in accordance with the *PBA* and the regulations, and for such purposes, the Tribunal may substitute its opinion for that of the Superintendent.

IF NO WRITTEN REQUEST FOR A HEARING IS MADE within 30 days after this Notice is served on you, TAKE NOTICE THAT the Superintendent will order the following:

1) The wind up of the Plan effective October 1, 2017, such wind up to include all members of the Plan whose employment was terminated on or after June 13, 2017, pursuant to section 69(1)(b) of the *PBA*; and
2) That contributions towards the defined contribution component of the Plan continue until all or substantially all of the members of the Plan cease employment with Sears, despite the wind up of the Plan.

A COMPLETED REQUEST FOR HEARING form must be received by the Tribunal within 30 days after this Notice is served on you. It may be mailed, faxed, or delivered to:

Financial Services Tribunal
5160 Yonge Street, 14th Floor
Toronto ON M2N 6L9

Attention: The Registrar Fax: 416-226-7750

THE HEARING BEFORE THE TRIBUNAL will proceed in accordance with the Rules of Practice and Procedure for Proceedings before the Financial Services Tribunal made under the authority of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended. Those Rules are available at the website of the Tribunal: www.fstontario.ca. Alternatively, a copy can be obtained by telephoning the Registrar of the Tribunal at 416-590-7294, or toll free at 1-800-668-0128 ext. 7294.

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[1] NOTE - Pursuant to section 112 of the *PBA* any Notice, Order or other document is sufficiently given, served or delivered if delivered personally or sent by regular mail and any document sent by regular mail shall be deemed to be given, served or delivered on the fifth day after the date of mailing.

REASONS FOR DECISION

I INTEND TO MAKE THE ORDER for the following reasons:

1. Sears Canada Inc. and its affiliated companies ("Sears") is the employer under the Plan. Until October 16, 2017, Sears was the administrator of the Plan.

2. The Plan is a single employer, multi-jurisdictional, hybrid pension plan.

3. The Plan was established on January 1, 1971, as a defined benefit ("DB") pension plan.

4. On July 1, 2008, all members of the Plan had their DB service frozen, although the DB entitlement at termination or retirement would continue to reflect any earning increases after July 1, 2008.

5. For service on or after July 1, 2008, pension benefits for all members accrued under the defined contribution ("DC") component of the Plan.

6. The latest filed actuarial report for the Plan as at December 31, 2015 (the "2015 Actuarial Report") indicated that the DB component of the Plan was underfunded by $267 million on a wind up basis, with a solvency ratio of 0.85 and a transfer ratio of 0.81.

7. On June 13, 2017, Sears released its first quarter financial statements, reporting substantial decline in revenue compared to the previous year and a net loss of $144.4 million for the quarter. On June 13, 2017, Sears issued a press release indicating that the conditions facing the company "raise significant doubt as to the Company's ability to continue as a going concern." This press release was widely reported on, including by the *Globe and Mail* and the *Toronto Star*.

8. On June 22, 2017, Sears was granted an order under the *Companies' Creditors Arrangement Act* ("CCAA").

9. On July 13, 2017, Justice Hainey of the Ontario Superior Court of Justice made an order suspending the obligation for Sears to make special payments to the Plan effective on and after October 1, 2017 (the "Special Payment Suspension Order").

10. Prior to September 30, 2017, Sears was making special payments of approximately $3.7 million per month.

11. On September 30, 2017, Sears remitted the final special payment to the Plan.

12. On October 13, 2017, Justice Hainey issued an order approving a liquidation sale in respect of Sears (the "Liquidation Sale Approval Order").

13. The Superintendent appointed Morneau Shepell Ltd. as the administrator of the Plan pursuant to section 8(1.1) of the *PBA* effective October 16, 2017.

14. To date, all required contributions have been made to the DC component of the Plan.

Special Payments

15. As indicated above, the 2015 Actuarial Report indicated a solvency ratio of 0.85.

16. Section 55(2) of the *PBA* states that an employer required to make contributions under a pension plan shall make the contributions in accordance with the prescribed requirements for funding and in the prescribed manner and at the prescribed times to the pension fund.

17. Because the Plan is underfunded, Sears is required under sections 4 and 5 of Regulation 909 (the "Regulation") to continue to make special payments in equal monthly installments as calculated in the actuarial valuation report filed for the Plan.

18. Pursuant to the 2015 Actuarial Report, Sears was required to make special payments to amortize the solvency deficiency under the Plan until December 31, 2021.

19. However, pursuant to the Special Payment Suspension Order, Sears ceased to make special payments after September 30, 2017.

20. Section 69(1)(b) of the *PBA* provides that the Superintendent may require the wind up of a pension plan if the employer fails to make contributions to the pension fund as required by the *PBA* and the regulations.

21. Since October 1, 2017, Sears has failed to make special payments as required. Therefore, the Superintendent has grounds pursuant to section 69(1)(b) of the *PBA* to order the wind up of the Plan.

Wind Up Date

22. Pursuant to section 69(2) of the *PBA*, the wind up order must specify the effective date of the wind up.

23. The Superintendent proposes that the effective date of the wind up be October 1, 2017.

24. As a result of the Liquidation Sale Approval Order, Sears will inevitably cease operating and terminate all remaining employees.

Contributions to the DC Component

25. As noted above, Sears continues to make payments to the DC component of the Plan.

26. Approximately 4,500 active members continue to accumulate benefits under the DC component of the Plan.

27. This benefit accumulation has no impact on the funded status of the DB component of the Plan.

28. It would be contrary to the purposes of the *PBA* if members of the DC component of the Plan were forced to cease accumulating retirement benefits.

29. Therefore, the Superintendent proposes that contributions towards the DC component of the Plan continue until all or substantially all of the members of the Plan cease employment with Sears, despite the wind up of the Plan.

30. Such further or other reasons as may come to my attention.

THE ADMINISTRATOR IS REQUIRED pursuant to section 89(5) of the *PBA* to transmit a copy of this Notice of Intended Decision to the following persons:

1) The persons listed as of the date of this Notice of Intended Decision on the Service List as defined in the Initial Order, dated June 22, 2017, of Justice Hainey in the Sears CCAA Proceedings (Court File No. CV-17-11846-00CL), at paragraph 57;
2) Unifor Local 40, Métallos Local 9153, and I.B.E.W. Local 213;
3) Any other person entitled to a payment from the pension fund of the Plan who is not represented by Koskie Minsky LLP, or the unions listed above.

DATED at Toronto, Ontario, this 10th day of November, 2017.

Lester J. Wong
Deputy Superintendent, Pensions
By delegated authority from the
Superintendent of Financial Services

TAB I

This is **Exhibit "I"** referred to in the
Affidavit of Hamish Dunlop affirmed August 24, 2018

Commissioner for Taking Affidavits (or as may be)
KIRAN PATEL

Superintendent of Financial Services

Surintendant des services financiers

Ontario

IN THE MATTER OF the *Pension Benefits Act*, R.S.O. 1990, c. P.8, as amended (the "*PBA*");

AND IN THE MATTER OF a Notice of Intended Decision of the Superintendent of Financial Services to Make an Order under section 69 of the *PBA* relating to the Sears Canada Inc. Registered Retirement Plan, Registration Number 0360065.

TO: **Morneau Shepell Ltd.**
895 Don Mills Road
Tower One, Suite 700
Toronto ON M3C 1W3

Attention: Al Kiel
Managing Partner

Administrator

AND TO: **Sears Canada Inc.**
700-290 Yonge Street,
Toronto ON M5B 2C3

Attention: Bev Church

Employer

AND TO: **1291079 Ontario Limited**
c/o Blaney McMurtry LLP
2 Queen Street East
Suite 1500
Toronto ON M5C 3G5

AND TO: **FTI Consulting**
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto ON M5K 1G8

AND TO: **Koskie Minsky**
20 Queen Street West
Suite 900, Box 52
Toronto ON M5H 3R3

ORDER

ON OR ABOUT November 10, 2017, the Superintendent of Financial Services (the "Superintendent") issued a Notice of Intended Decision (the "NOID") to Morneau Shepell Ltd. (the "Administrator") and Sears Canada Inc. (the "Employer") proposing to order:

(1) the wind up of the Sears Canada Inc. Registered Retirement Plan, Registration Number 0360065 (the "Plan") effective October 1, 2017, such wind up to include all members of the Plan whose employment was terminated on or after June 13, 2017, pursuant to section 69(1)(b) of the PBA; and

(2) that contributions towards the defined contribution component of the Plan continue until all or substantially all of the members of the Plan cease employment with Sears, despite the wind up of the Plan.

The NOID was published on the Financial Services Commission of Ontario (FSCO) website.

A REQUEST FOR HEARING before the Financial Services Tribunal (the "Tribunal") was filed by 1291079 Ontario Ltd. on December 7, 2017.

An Application for Party Status was filed by Morneau Shepell Ltd. in its capacity as Administrator of the Plan on December 14, 2017.

An Application for Party Status was filed by Sears Canada Inc. on December 20, 2017.

An Application for Party Status was filed by FTI Consulting Canada Inc. in its capacity as Court Appointed Monitor of Sears Canada Group on December 21, 2017.

An Application for Party Status was filed by Koskie Minsky on behalf of Sears Canada Plan Members on March 20, 2018.

ON March 28, 2018, the request for a hearing was withdrawn by 1291079 Ontario Ltd.

ON March 28, 2018, the Tribunal closed its file on the hearing request.

For the reasons set out in the NOID, **I ORDER**:

(1) that the Plan is wound up, effective October 1, 2017, such wind up to include all members of the Plan whose employment was terminated on or after June 13, 2017, pursuant to section 69(1)(b) of the PBA; and

(2) that contributions towards the defined contribution component of the Plan continue until all or substantially all of the members of the Plan cease employment with Sears, despite the wind up of the Plan.

DATED at Toronto, Ontario, this 29th day of March, 2018.

Lester J. Wong
Deputy Superintendent, Pensions
By delegated authority from the
Superintendent of Financial Services

TAB J

This is **Exhibit "J"** referred to in the
Affidavit of Hamish Dunlop affirmed August 24, 2018

Commissioner for Taking Affidavits (or as may be)

KIRAN PATEL

SCHEDULE Q

PROOF OF CLAIM FORM FOR CERTAIN EMPLOYEE AND RETIREE CLAIMS AGAINST THE SEARS CANADA ENTITIES

1. NAME OF SEARS CANADA ENTITY OR ENTITIES (THE "DEBTOR(S)")[1] AGAINST WHICH THE CLAIM IS BEING MADE:

Debtor(s): Sears Canada Inc. and other Sears Canada Entities

2. (A) PARTICULARS OF CLAIMANT

Full Legal Name of Claimant:	Morneau Shepell Ltd. in its capacity as Administrator for the Sears Canada Inc. Registered Retirement Plan
Full Mailing Address of Claimant:	895 Don Mills Road, Suite 700
	One Morneau Shepell Centre
	Toronto, M3C 1W3
Telephone Number of Claimant:	(416) 380-2737
Facsimile Number of Claimant:	
E-mail Address of Claimant:	hdunlop@morneaushepell.com
Attention (Contact Person):	Hamish Dunlop

(B) PARTICULARS OF ORIGINAL CLAIMANT FROM WHOM YOU ACQUIRED CLAIM, IF APPLICABLE

(i) Has the Claimant acquired this Claim by assignment? Yes ☐ No ☒

(ii) If yes, attach documents evidencing assignment and provide full particulars of the original Claimant from whom the Claim was acquired from:

1 The "**Sears Canada Entities**" are Sears Canada Inc., 9370-2751 Quebec Inc. (formerly Corbeil Electrique Inc.), 191020 Canada Inc. (formerly S.L.H. Transport Inc.), The Cut Inc., Sears Contact Services Inc., Initium Logistics Services Inc., Initium Commerce Labs Inc., Initium Logistics Services Inc., Initium Commerce Labs Inc., Initium Trading and Sourcing Corp., Sears Floor Covering Centres Inc., 173470 Canada Inc., 2497089 Ontario Inc., 6988741 Canada Inc., 10011711 Canada Inc., 1592580 Ontario Limited, 955041 Alberta Ltd., 4201531 Canada Inc., 168886 Canada Inc., 3339611 Canada Inc., and SearsConnect.

Full Legal Name of original Claimant:	
Full Mailing Address of original Claimant:	
Telephone Number of original Claimant:	
Facsimile Number of original Claimant:	
E-mail Address of original Claimant:	
Attention (Contact Person):	

3. AMOUNT AND TYPE OF CLAIM

The Debtor is indebted to the Claimant as follows:

Currency:	Amount of <u>Pre-Filing</u> Claim (including interest up to and including June 22, 2017)[2]:	Whether Claim is Secured:	Value of Security Held, if any[3]:
Canadian	$260,200,000, the estimated Sears Pension Claim as at September 30, 2017 calculated in accordance with the Sears Pension Claim Methodology described in the Employee and Retiree Claims Procedure Order dated February 22, 2018 (the "Order") . Defined terms used herein have the meanings ascribed to them in the Order.	Yes ☒ No ☐	Administrator's Lien and Charge pursuant to s. 57(5) and deemed trust pursuant to s. 57 (4) of the Pension Benefits Act (Ontario) for the full amount of the Wind-Up Deficiency over all assets of the Sears Canada Entities.
		Yes ☐ No ☐	
		Yes ☐ No ☐	

2 Interest accruing from the Filing Date (June 22, 2017) shall not be included in any Claim.

3 If the Claim is secured, provide full particulars of the security, including the date on which the security was given, the value for which you ascribe to the assets charged by your security, the basis for such valuation and attach a copy of the security documents evidencing the security. This information may be provided in a separate schedule, if necessary.

Currency:	Amount of Restructuring Period Claim	Whether Claim is Secured:	Value of Security Held, if any:
		Yes ☐ No ☐	
		Yes ☐ No ☐	
		Yes ☐ No ☐	

4. DOCUMENTATION

Provide all particulars of the Claim and supporting documentation, including amount, and description of transaction(s) or agreement(s), or legal breach(es) giving rise to the Claim, including any claims assignment/transfer agreement or similar document, if applicable, and amount of invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by the affected Debtor to the Claimant and estimated value of such security.

This Proof of Claim provides the estimated calculation of the Wind-Up Deficiency as at September 30, 2017 in accordance with the Sears Pension Claim Methodology approved by the Order. The attached opinion identifies the assumptions and methodology used, and confirms that the assumptions and methodology are consistent with actuarial standards and appropriate for providing an estimate of the Wind-Up Deficiency under the Sears Pension Plan as contemplated by paragraph 62 of the Penrice Affidavit. The Pension Plan Administrator reserves all rights to update, amend and/or refile this Proof of Claim to reflect the actual Wind-Up Deficiency when determined. The PBA provides priority rights for such Wind-Up Deficiency over all assets of the Sears Canada Entities.

5. CERTIFICATION

I hereby certify that:

(a) I am the Claimant or authorized representative of the Claimant.

(b) I have knowledge of all the circumstances connected with this Claim.

(c) The Claimant asserts this Claim against the Debtor(s) as set out above.

(d) All available documentation in support of this Claim is attached.

Signature: ______________ Witness: ______________
(signature)

Name: Hamish Dunlop Richard M. Kular
(print)

Title: Principal

Dated at Toronto this 5th day of April, 2018.

6. FILING OF CLAIM AND APPLICABLE DEADLINE

This Proof of Claim form must be returned to and received by the Monitor by 5:00 p.m. (Toronto time) on April 9, 2018 (the "**Proof of Claim Bar Date**").

Completed forms must be delivered to the Monitor by prepaid ordinary mail, registered mail, courier, personal delivery, facsimile transmission or email at the following address:

FTI Consulting Canada Inc., Sears Canada Monitor
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 101
Toronto, Ontario M5K 1G8

Attention:	Sears Canada Employee and Retiree Claims Process
Fax No.:	416-649-8101
Email for Employee Claims:	SearsEmployeeClaimSite@fticonsulting.com
Email for Retiree Claims:	Sears RetireeClaimSite@fticonsulting.com

Failure to file your Proof of Claim so that it is actually received by the Monitor on or before 5:00 p.m. (Toronto time) on the Proof of Claim Bar Date WILL result in your Claim being forever barred and you will be prevented from making or enforcing your Claim against the Sears Canada Entities. In addition, you shall not be entitled to further notice of and shall not be entitled to participate as a creditor in the Sears Canada Entities' CCAA proceedings.

ACTUARIAL OPINION ON THE SEARS PENSION CLAIM UNDER THE SEARS CANADA INC. REGISTERED RETIREMENT PLAN ("SRRP")

AS AT SEPTEMBER 30, 2017

REGISTRATION NUMBER 0360065

I hereby certify that, based on the results of actuarial valuations performed for the SRRP, in my opinion:

- A preliminary estimate of the Sears Pension Claim is $260.2 million as at September 30, 2017.
- This estimate may be used for purposes of filing with FTI Consulting Canada Inc., in its capacity as monitor, a Proof of Claim for the Wind-up Deficiency calculated in accordance with the Sears Pension Claim Methodology described in the Employee and Retiree Claims Procedure Order dated February 22, 2018 (the "Order").

In preparing the estimate, we have relied on a December 31, 2016 valuation of the hypothetical SRRP wind up liabilities performed by Aon Hewitt, based on statutory economic and mortality assumptions applicable as at that date. This valuation took into account Plan data and Plan provisions as at that date and used other demographic assumptions summarized in the December 31, 2015 Actuarial Valuation Report that was filed with FSCO.

We have also relied on a projection of the December 31, 2016 hypothetical SRRP wind up liabilities to September 30, 2017 prepared by Aon Hewitt. The projection took actual cash flows for the nine-month period into account as well as adjustments to the liabilities to reflect the statutory interest rate assumptions as at September 30, 2017 that are applicable for hypothetical wind up valuation purposes at the latter date, as shown in the following table:

ECONOMIC ASSUMPTIONS USED FOR THE SEPTEMBER 30, 2017 ESTIMATES

Interest Rate – Commuted Values	2.60% for 10 years, 3.50% thereafter
Interest Rate – Annuity Purchase (Non Indexed)	3.06% per year
Post Retirement Indexation Rate	0.5% per year
Duration of liabilities assumed to be settled by annuity purchase	10.05

The hypothetical SRRP wind up liabilities as at September 30, 2017 were estimated by Aon Hewitt to be $1.235 billion. This is the "Preliminary Wind-up Liability Estimate" (PWLE) described in paragraph 62 of the "Penrice Affidavit", made for the purposes of and as defined in the Order.

SRRP assets as reported by the custodian were $1.030 billion as at September 30, 2017. Net wind up assets, after deducting a $5 million wind up expense assumption were $1.025 billion.

The hypothetical SRRP wind up position as at September 30, 2107 is a wind up deficit of $210 million, as estimated by Aon Hewitt.

In deriving the estimated amount of the Sears Pension Claim, we made the following adjustments to the $210 million estimated hypothetical SRRP wind up deficit, in accordance with paragraph 62 of the Penrice Affidavit:

- The PWLE has been increased by 2%, or $24.7 million as a provision for adverse deviations;
- The PWLE has been increased by 1.5% , or $18.5 million as a contingency reserve; and
- The September 30, 2017 asset value has been reduced by $7 million to reflect incurred asset liquidation costs and certain losses due to the sale of certain illiquid instruments, which yielded less than the quoted September 30th market value of assets.

The combination of these three adjustments increases the estimated $210 million hypothetical SRRP wind up deficit by $50.2 million, producing the estimated Sears Pension Claim amount of $260.2 million.

In my opinion, for the purposes of this Actuarial Opinion:

- The membership data on which the estimates are based are sufficient and reliable for the purposes of the valuation.
- The assumptions are appropriate for the purposes of this valuation.
- The methods employed in the valuation are appropriate for the purposes of the valuation.

This Actuarial Opinion has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.

Richard M. Kular, FCIA
Principal

MORNEAU SHEPELL LTD
895 Don Mills Road, Suite 700
Toronto ON M3C 1W3

April 6, 2018

TAB K

This is **Exhibit "K"** referred to in the
Affidavit of Hamish Dunlop affirmed August 24, 2018

Commissioner for Taking Affidavits (or as may be)
KIRAN PATEL

MORNEAU SHEPELL

895 Don Mills Road Tower One,
Suite 700 Toronto, Ontario M3C 1W3

June 5, 2018

By Courier

Ms. Anna Vani, Insolvency Coordinator
Financial Services Commission of Ontario
5160 Yonge Street, 4th floor
Toronto, ON M2N 6L9

SEARS.0001

Dear Ms. Vani:

Re: Sears Canada Inc. Registered Retirement Plan (the "Plan")
Registration No. 0360065, Defined Benefit Component

Morneau Shepell Ltd., Administrator of the Plan, is pleased to submit an Application to the Superintendent of Financial Services to have the Pension Benefits Guarantee Fund (the "PBGF") declared to apply to the Plan. Our application for a Declaration is made pursuant to FSCO Policy P200-001 and the Revised PBGF Allocation Process.

We have enclosed a copy of the application.

If you require additional information or have any questions regarding this request, please contact the undersigned at (416) 355-5207.

Yours truly,

Morneau Shepell Ltd.
In its capacity as Administrator for the
Sears Canada Inc. Registered Retirement Plan
and not in its personal capacity.

per: John Hnatiw
Principal

c: Howard Iseman, FSCO

Enclosures

TO:	Superintendent of Financial Services Financial Services Commission of Ontario
DATE:	June 5, 2018
PLAN SPONSOR:	Sears Canada Inc.
PENSION PLAN:	Sears Canada Inc. Registered Retirement Plan
REGISTRATION NUMBER:	0360065
PREPARED BY:	Morneau Shepell Ltd. in its capacity as the Appointed Administrator of the Sears Canada Inc. Registered Retirement Plan

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NATURE OF APPLICATION:

Application for the Superintendent of Financial Services (the "Superintendent") of the Financial Services Commission of Ontario ("FSCO") to make a declaration pursuant to subsection 83(1) of the *Pension Benefits Act, R.S.O. 1990, c.P.8*, as amended (the "Act"), that the Pension Benefits Guarantee Fund (the "PBGF") applies to the Sears Canada Inc. Registered Retirement Plan, Registration Number 0360065 (the "Plan").

ADMINISTRATOR:

Hamish Dunlop
Morneau Shepell Ltd

ACTUARY:

Rick Kular, F.S.A, F.C.I.A.
Morneau Shepell Ltd

COUNSEL:

Kathy Bush, Blake, Cassels & Graydon LLP

MONITOR OF CCAA PROCEEDINGS:

Paul Bishop and Greg Watson, FTI Consulting

COLLECTIVE BARGAINING AGENT:

Unifor – Local 40
Syndicat des Metallos – Local 9153
International Brotherhood of Electrical Workers – Local 213

TRUSTEE / CUSTODIAN:

CIBC Mellon Global Securities Services Company
CIBC Account SR6F

BACKGROUND:

Sears Canada Inc. ("Sears") formerly Simpson-Sears Limited, established the Supplementary Pension Plan, a registered pension plan, with effect from January 1, 1971 to provide retirement benefits for eligible employees regardless of province of residence. The Supplementary Pension Plan was incorporated into the Guaranteed Retirement Income Plan with effect from January 1, 1976 to continue to provide retirement and other benefits for eligible employees. The Guaranteed Retirement Income Plan, as amended from time to time since 1976, was incorporated into and superseded by the Sears Canada Inc. Registered Retirement Plan (the "Plan") on January 1, 1987, to comply with major revisions to provincial and federal legislation concerning registered pension plans including the participatioin of part-time employees, and to continue providing retirement and other benefits for an on behalf of eligible hourly and salaried employees. The Plan provided for ad hoc post-retirement inflation adjustments to members and their beneficiaries starting at age 65. Effective January 1, 2014, the inflation adjustment made to the pensions in pay, in any year, is at a fixed rate of 0.50% per year.

The Plan was a contributory defined benefit ("DB") plan. Effective June 30, 2008, all members of the Plan had their DB service frozen, although the DB entitlement at termination or retirement will reflect any earnings increased after June 30, 2008. For service on or after July 1, 2008, pension benefits for all members accrued under the defined contribution ("DC") component of the Plan.

The last triennial actuarial valuation of the Plan was performed as at December 31, 2015 by Aon Hewitt. This valuation determined that the Plan had a wind up deficit of $266,805, wind up liabilities of $1,403,775 and a Transfer Ratio of 81%. Excerpts from the Actuarial Report on the Plan as at December 31, 2015 are enclosed (Attachment 1).

On June 13, 2017, Sears released its first quarter financial statements (the "Financial Statements") which reported a decline in revenue of 15.2% compared to the first quarter of the prior year and a net loss of $144.4 million for the quarter. Also on June 13, 2017, Sears issued a press release in which it stated that the conditions facing the company "raise significant doubt as to the company's ability to continue as a going concern". The company's press release was widely reported in the media on June 13, 2017, including the Globe & Mail and the Toronto Star.

Sears was granted an order under the Companies' Creditors Arrangement Act (Canada) ("CCAA") on June 22, 2017. An order was made on July 13, 2017 by Justice Hainey of the Ontario Superior Court of Justice to suspend the obligations to make special payments to the Plan effective on and after October 1, 2017 for the duration of the CCAA proceedings. On September 30, 2017, Sears remitted its final special payment to the DB component of the Plan. All required contributions have continued to be made to the DC component of the Plan to-date.

Justice Hainey issued a Liquidation Sale Approval Order in respect of Sears on October 13, 2017.

On October 16, 2017, Morneau Shepell Ltd. was appointed as the Administrator of the Plan (the "Administrator") by the Superintendent, pursuant to subsection 8(1.1) of the Act (Attachment 2).

By letter dated November 6, 2017, the Administrator requested that the Superintendent make an Order requiring the wind up of the Plan pursuant to its authority under paragraph 69(1)(b) of the Act. Within that request, the Administrator recommended that the Plan be wound up in full effective October 1, 2017 and include all members of the Plan whose employment terminated between June 13, 2017 and October 1, 2017, and that contributions towards the DC component of the Plan continue until all or substantially all of the members of the Plan cease employment with Sears, despite the wind up of the Plan.

On November 10, 2017, the Superintendent issued the Notice of Intended Decision (the "NOID") to wind up the Plan. The NOID was published by FSCO and a copy was provided to all parties on the service list for the ongoing court proceedings relating to Sears. On December 7, 2017, a request for hearing before the Financial Services Tribunal (the "Tribunal") was filed by a creditor of the Sears estate. On March 28, 2017 the request for a hearing was withdrawn and the Tribunal closed its file on the hearing request. March 29, 2017, the Superintendent issued the Order that the Plan be would up in full. A copy of the Order is enclosed (Attachment 3).

We directed our actuaries to prepare an Actuarial Opinion (the "Opinion") based on the wind up funded status of the Plan as at October 1, 2017. This Opinion determined that the Plan had a wind up deficit of $238,210,000 as at October 1, 2017. It was determined that the Ontario wind up deficit was $156,560,000 as at October 1, 2017. The actuary has signed the Opinion, dated May 31, 2018, attesting that as at October 1, 2017, the Plan's assets are not sufficient to cover the liabilities of the Plan on a wind up basis. A copy of the Opinion is enclosed (Attachment 4).

We are filing this application requesting a declaration that the PBGF applies to the Plan prior to the preparation and filing of a wind up report based on our preliminary valuation of the Plan and the Opinion as at October 1, 2017. Our actuaries have estimated that the claim against the PBGF will be approximately $83,031,800 as at October 1, 2017, and $96,575,400 as at March 31, 2018.

This estimated claim does not include a contingency reserve or a provision for adverse deviation, therefore there is a significant likelihood that the assets will not be sufficient to pay all of the guaranteed benefits and the actual PBGF allocation will exceed the estimated claim amount.

Subsequent to issuance of the NOID that the PBGF applies to the Plan we will make an application, pursuant to subsection 34(2)(b) of Regulation 909 (R.R.O. 1990, Reg. 909) (the "Regulations"), for an allocation from the PBGF. Prior to the distribution of benefits to members, a final wind up report will be filed with the Superintendent containing the amount of the actual PBGF claim.

The Administrator declares that the PBGF should apply to the Plan for the following reasons:

(a) **CLAUSE 83(2)(a)** – The Plan is a contributory, hybrid defined benefit and defined contribution pension plan which is registered in Ontario under provincial registration number 0360065;

(b) **CLAUSE 83(2)(b)** - The Plan provides defined pension benefits that are not exempt from the application of the PBGF. The Plan is over 5 years old and is not exempt from the application of the PBGF under paragraphs 4 (MEPP), 5 (negotiated defined benefit/defined contribution plans), or 6 (prescribing authority) of section 85 of the Act or Section 47 of the Regulation;

(c) **CLAUSE 83(2)(c)** – The Plan will be wound up, in whole, effective October 1, 2017 and include all members of the Plan whose employment terminated between June 13, 2017 and October 1, 2017, as a result of the CCAA proceedings of the Company. The Superintendent has issued an Order to wind up the Plan, and

(d) **CLAUSE 83(2)(d)** – Based on the forgoing, the Administrator is of the opinion that there are reasonable and probable grounds that the funding requirements of the Act and the Regulations cannot be satisfied.

ATTACHMENTS:

1) Excerpts from the Actuarial Valuation dated December 31, 2015

2) Appointment of Morneau Shepell Ltd. as Administrator of the Plan effective October 16, 2017 dated October 17, 2017

3) Wind Up Order dated March 29, 2018

4) Actuarial Opinion for the Plan as at October 1, 2017 and March 31, 2018

Section 4: Hypothetical Wind Up Valuation Results

Hypothetical Wind Up Financial Position of the Plan

A hypothetical wind up valuation is performed to determine the financial position of the Plan as at the valuation date on a wind up basis, reflecting market settlement rates as of the valuation date. Unlike the solvency valuation, all benefits are included that would be payable under the postulated scenario that would maximize benefits. The hypothetical wind up valuation is determined using benefit entitlements on the assumption that the Plan has neither a surplus nor a deficit. Contingent benefits are included in the liabilities that would be payable under the postulated scenario. Assets are set equal to market value net of estimated wind up expenses. All assumptions for the hypothetical wind up valuation are listed in Appendix E of the report.

On the basis of Plan provisions, membership data, hypothetical wind up assumptions and methods, and asset information described in the Appendices, as well as the requirements of the *Pension Benefits Act*, the hypothetical wind up financial position of the Plan as at December 31, 2015 is shown in the following table. The hypothetical wind up financial position of the Plan as at December 31, 2013 is shown for comparison purposes.

Hypothetical Wind Up Financial Position

(000's)	December 31, 2015	December 31, 2013
Assets		
Hypothetical wind up assets	$ 1,141,970	$ 1,301,497
Estimated wind up expenses	(5,000)	(5,000)
Total Assets	**$ 1,136,970**	**$ 1,296,497**
Hypothetical Wind Up Liabilities		
Active and disabled members	$ 258,261	$ 394,854
Transferred members	12,715[1]	14,353[1]
Suspended members	13,509	20,075[2]
Deferred vested members	24,042	35,537
Retired members and beneficiaries	1,095,248[3]	964,724[4]
Total Liabilities	**$ 1,403,775**	**$ 1,429,543**
Hypothetical Wind Up Surplus/(Deficiency)	**$ (266,805)**	**$ (133,046)**

[1] Consists of members transferred to: JP Morgan as of December 18, 2005 and January 1, 2006; and Thomas Cook Travel as of January 30, 2011

[2] Included members transferred to SHS Services Management Inc. as of March 3, 2013, and were subsequently terminated in December 2013 as a result of the bankruptcy of SHS Services Management Inc.

[3] Includes postretirement increase of 0.5% granted to eligible retired members and beneficiaries as of January 1, 2016 and January 1, 2015

[4] Includes postretirement increase of 0.5% granted to eligible retired members and beneficiaries as of January 1, 2014

Transfer Ratio

The transfer ratio is determined as follows:

(000's)				December 31, 2015
(1)	Hypothetical wind up assets		$	1,141,970
	Prior year credit balance	(A)	$	1,060
	Total company normal cost and required special payments until next mandated valuation	(B)	$	102,120
(2)	Asset adjustment	Lesser of (A) and (B)	$	1,060
(3)	Hypothetical wind up liabilities		$	1,403,775

Transfer Ratio [(1)-(2)] / (3) **0.81**

Financial Services Commission of Ontario

Pension Plans Branch

5160 Yonge Street
16th Floor
Toronto ON
M2N 6L9

Telephone: 416 226 7776
Facsimile: 416 226 7777
Toll free: 1 800 668 0128

Commission des services financiers de l'Ontario

Direction des régimes de retraite

5160, rue Yonge
16e étage
Toronto (Ontario)
M2N 6L9

Téléphone : 416 226 7776
Télécopieur : 416 226 7777
Sans frais : 1 800 668 0128

Ontario

October 17, 2017

Registration Number: 0360065

Al Kiel
Managing Partner
Morneau Shepell
895 Don Mills Road
Tower One, Suite 700
Toronto ON M3C 1W3

Dear Mr. Kiel:

Re: Administrator Appointment Confirmation
Sears Canada Inc. Registered Retirement Pension Plan (the 'Plan')

This is to confirm that by delegated authority from the Superintendent of Financial Services, I have formally appointed Morneau Shepell as the administrator of the above-referenced pension plan effective October 16, 2017. The appointment has been made pursuant to subsection 8(1.1) of the *Pension Benefits Act*, R.S.O. 1990, Chapter P.8, as amended.

The appointment is also made in accordance with the terms and conditions of the Appointment Agreement attached hereto, between the Superintendent of Financial Services and Morneau Shepell.

Please notify all interested parties of your appointment as administrator of the plan.

If you have any questions or concerns, you may contact me at the address above, or directly by telephone at (416) 226-7833. Please quote the registration number at the top of this letter.

Yours Truly,

Anna Vani

Anna Vani
Insolvency Coordinator
Pension Plans Branch

Attachment

Financial Services Commission of Ontario

Pension Plans Branch

5160 Yonge Street
16th Floor
Toronto ON
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Telephone: 416 226 7776
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Commission des services financiers de l'Ontario

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5160, rue Yonge
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M2N 6L9

Téléphone : 416 226 7776
Télécopieur : 416 226 7777
Sans frais : 1 800 668 0128

Ontario

VIA COURIER

March 29, 2018

Attn: Al Kiel
Managing Partner
Morneau Shepell Ltd.
895 Don Mills Road
Tower One, Suite 700
Toronto ON M3C 1W3

Attn: Bev Church
Sears Canada Inc.
700-290 Yonge Street,
Toronto ON M5B 2C3

1291079 Ontario Limited
c/o Blaney McMurtry LLP
2 Queen Street East
Suite 1500
Toronto ON M5C 3G5

FTI Consulting
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto ON M5K 1G8

.../2

Koskie Minsky
20 Queen Street West
Suite 900, Box 52
Toronto ON M5H 3R3

Re: Sears Canada Inc. Registered Retirement Plan
Registration Number 0360065

Enclosed please find the Order in respect to the above pension plan.

Yours truly,

Thurka Thankathurai
Project Coordinator

Enclosure

c: Anna Vani, Financial Services Commission of Ontario

Superintendent of Financial Services

Surintendant des services financiers

Ontario

IN THE MATTER OF the *Pension Benefits Act*, R.S.O. 1990, c. P.8, as amended (the "*PBA*");

AND IN THE MATTER OF a Notice of Intended Decision of the Superintendent of Financial Services to Make an Order under section 69 of the *PBA* relating to the Sears Canada Inc. Registered Retirement Plan, Registration Number 0360065.

TO: **Morneau Shepell Ltd.**
895 Don Mills Road
Tower One, Suite 700
Toronto ON M3C 1W3

Attention: Al Kiel
Managing Partner

Administrator

AND TO: **Sears Canada Inc.**
700-290 Yonge Street,
Toronto ON M5B 2C3

Attention: Bev Church

Employer

AND TO: **1291079 Ontario Limited**
c/o Blaney McMurtry LLP
2 Queen Street East
Suite 1500
Toronto ON M5C 3G5

AND TO: **FTI Consulting**
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto ON M5K 1G8

AND TO: **Koskie Minsky**
20 Queen Street West
Suite 900, Box 52
Toronto ON M5H 3R3

ORDER

ON OR ABOUT November 10, 2017, the Superintendent of Financial Services (the "Superintendent") issued a Notice of Intended Decision (the "NOID") to Morneau Shepell Ltd. (the "Administrator") and Sears Canada Inc. (the "Employer") proposing to order:

(1) the wind up of the Sears Canada Inc. Registered Retirement Plan, Registration Number 0360065 (the "Plan") effective October 1, 2017, such wind up to include all members of the Plan whose employment was terminated on or after June 13, 2017, pursuant to section 69(1)(b) of the PBA; and

(2) that contributions towards the defined contribution component of the Plan continue until all or substantially all of the members of the Plan cease employment with Sears, despite the wind up of the Plan.

The NOID was published on the Financial Services Commission of Ontario (FSCO) website.

A REQUEST FOR HEARING before the Financial Services Tribunal (the "Tribunal") was filed by 1291079 Ontario Ltd. on December 7, 2017.

An Application for Party Status was filed by Morneau Shepell Ltd. in its capacity as Administrator of the Plan on December 14, 2017.

An Application for Party Status was filed by Sears Canada Inc. on December 20, 2017.

An Application for Party Status was filed by FTI Consulting Canada Inc. in its capacity as Court Appointed Monitor of Sears Canada Group on December 21, 2017.

An Application for Party Status was filed by Koskie Minsky on behalf of Sears Canada Plan Members on March 20, 2018.

ON March 28, 2018, the request for a hearing was withdrawn by 1291079 Ontario Ltd.

ON March 28, 2018, the Tribunal closed its file on the hearing request.

For the reasons set out in the NOID, **I ORDER**:

(1) that the Plan is wound up, effective October 1, 2017, such wind up to include all members of the Plan whose employment was terminated on or after June 13, 2017, pursuant to section 69(1)(b) of the PBA; and

(2) that contributions towards the defined contribution component of the Plan continue until all or substantially all of the members of the Plan cease employment with Sears, despite the wind up of the Plan.

DATED at Toronto, Ontario, this 29th day of March, 2018.

Lester J. Wong
Deputy Superintendent, Pensions
By delegated authority from the
Superintendent of Financial Services

MORNEAU SHEPELL

Sears Canada Inc. Registered Retirement Plan

Actuarial Opinion as at October 1, 2017

Prepared May 2018

Ontario registration number: 0360065

Table of Contents

Purpose

This Actuarial Opinion as at October 1, 2017 is included in an Application for "A Declaration that the Pension Benefits Guarantee Fund (the "Application") applies to the Sears Canada Inc. Registered Retirement Plan. (the "Plan")" as respects Ontario members of the Plan.

This Actuarial Opinion is not a wind up report for the Plan. It is based on a roll-forward of the actuarial valuation report as of December 31, 2015 prepared by AON Hewitt (the "AON Report"). The Ontario wind up funded ratio estimated in this Actuarial Opinion is used only to estimate the Plan's Pension Benefits Guarantee Fund ("PBGF") claims; therefore, it should not be used to determine the members' entitlements under section 34 of Regulation 909 (the "Regulations") to the Ontario *Pension Benefits Act* (the "Act"). A wind up report will be prepared when the Administrator has confirmed that the membership data compiled as at the wind up date is sufficiently reliable for that purpose. The Ontario wind up funded ratio for the purposes of section 34 of the Regulations will be established in the wind up report, subject to regulatory approval.

Morneau Shepell Ltd. (the "Administrator") was appointed Administrator of the Plan, effective October 16, 2017, by the Superintendent (the "Superintendent") of Financial Services Commission of Ontario ("FSCO"), pursuant to subsection 8(1.1) of the Act.

On November 6, 2017, the Administrator proposed to the Superintendent that the Plan be wound up as at October 1, 2017 (the "Wind Up Date") pursuant to section 69 of the Act. On March 29, 2018, the Superintendent issued an Order to wind up the Plan, effective October 1, 2017, pursuant to section 69 of the Act.

In this Actuarial Opinion, we are providing the required information for the Application, as set out in the PBGF Filing Requirements and Procedure, Policy Index no. P200-001. This Actuarial Opinion conforms to the Revised PBGF Interim Allocation Process, published on October 28, 2004 and updated effective May 1, 2012 (the "Revised Process").

Section 1 – Statement of Actuarial Position

Statement of Estimated Wind Up Financial Position

The table below presents the financial position of the Plan as at October 1, 2017.

Table 1.1 – Estimated Wind Up Financial Position as at October 1, 2017

	Total Plan	Ontario	Non-Ontario
	$	$	$
Basic Wind Up Assets			
Allocated market value of assets	1,029,941,000	577,735,000	452,206,000
Provision for wind up expenses	(4,000,000)	2,703,000)	(1,297,000)
Estimated Assets at October 1, 2017	**1,025,941,000**	**575,032,000**	**450,909,000**
Basic Wind Up Liabilities			
Active, disabled, transferred members	240,432,000	124,496,000	115,936,000
Suspended members	13,694,000	8,180,000	5,514,000
Deferred vested members	24,372,000	15,913,000	8,459,000
Retired members and beneficiaries	985,653,000	583,003,000	402,650,000
Total Basic Wind Up Liabilities	**1,264,151,000**	**731,592,000**	**532,559,000**
Estimated Wind Up Surplus (Deficiency)	**(238,210,000)**	**(156,560,000)**	**(81,650,000)**

The wind up ratio for the total Plan is estimated to be 81.2% at the Wind Up Date, based on the projection of the December 31, 2015 Plan hypothetical wind up valuation liabilities to the Wind Up Date. The financial position of the Plan may differ significantly when the Plan's benefits are settled. Factors that will affect the amount of deficiency include investment returns earned on the fund, the actual cost of annuities used to settle pension liabilities, the form of benefit settlement chosen by the members, and any data corrections and additions.

Reconciliation of Financial Position

The following table reconciles the Plan's funded position from the AON Report on a hypothetical wind up basis.

Table 1.2 – Reconciliation of Wind Up Financial Position (Total Plan)

	$
Hypothetical Wind Up Surplus / (Deficiency) as at December 31, 2015	**(266,805,000)**
Interest on deficit	(13,820,000)
Change in wind up expenses	1,259,000
Contributions received (with interest at 2.92%)*	53,645,000
Gain / (loss) on assets	(49,537,000)
Change in actuarial basis and plan experience	37,048,000
Estimated Wind Up Surplus / (Deficiency) as at October 1, 2017	**(238,210,000)**

*2.92% is the weighted average discount rate at December 31, 2015

The table below provides a summary of the Modified Ontario Wind Up Liability and the wind up funded ratio at the Wind Up Date:

Table 1.3 – Ontario Modified Wind Up Funded Ratio

	October 1, 2017 ($)
Ontario Wind Up Assets	
Ontario assets (allocated share of Plan assets)	577,735,000
Provision for wind up expenses	(2,703,000)
Net Ontario Wind Up Assets	**575,032,000**
Ontario Modified Wind Up Liability *	
Active, disabled, transferred members	116,665,800
Suspended members	7,774,700
Deferred vested members	15,125,000
Retired members and beneficiaries	540,829,000
Total Ontario Modified Wind Up Liability	**680,394,500**
Wind Up Surplus (Deficiency)	**(105,362,500)**
Ontario Modified Wind Up Funded Ratio	**84.51%**

* indexation is removed in the calculation of the Ontario Modified Wind Up Liability

The Guaranteed Benefit Liability reflects only those benefits guaranteed under sections 84 and 85 of the Act. The following table provides an estimate of the Ontario Guarantee Benefit Liability of the Plan as at October 1, 2017.

Table 1.4 – Ontario Guaranteed Benefit Liability

	October 1, 2017 ($)
Guaranteed Benefit Liability	**536,232,200**

The following table summarizes the determination of the estimated PBGF claim as at the Wind Up Date:

Table 1.5 – Determination of Estimated PBGF Claim at the Wind Up Date

	October 1, 2017 ($)
(a) Guaranteed Benefit Liability	536,232,200
(b) Modified Ontario Wind Up Liability	680,394,500
(c) Net Ontario Assets	575,032,000
(d) Ontario Modified Wind Up Funded Ratio	84.51%
Estimated PBGF Claim [(a) + { (d) * [(b) – (a)] } – (c)]	**83,031,800**

The following table shows the net Ontario Assets and Included Benefit Liability as at March 31, 2018:

Table 1.6 – Estimated Ontario Financial Position at March 31, 2018

	March 31, 2018 ($)
Ontario Wind Up Assets	
Ontario assets (allocated share of Plan assets)	560,038,500
Provision for wind up expenses	(2,144,600)
Estimated Assets	**557,893,900**
Included Benefit Liability	
Active, disabled, and transferred members	102,617,800
Suspended members	7,834,100
Deferred vested members	16,694,100
Retired members and beneficiaries	527,323,300
Total Included Benefit Liability	**654,469,300**
PBGF claim (excess)	**(96,575,400)**

The estimated PBGF claim at the Wind Up Date was $83,031,800. It is estimated that the net Ontario Wind Up Assets are not sufficient to settle the Plan's Ontario Wind up Liabilities as at March 31, 2018. Table 1.7 reconciles, on an approximate basis, how the PBGF claim has developed:

Table 1.7 – Reconciliation of Estimated PBGF Claim

	$
Estimated PBGF claim (excess) as at October 1, 2017	**83,031,800**
(Gain) / loss on assets	10,421,500
Change in actuarial basis and Plan experience	3,122,100
Estimated PBGF claim (excess) as at March 31, 2018	**96,575,400**

Section 2 – Actuarial Opinion

In our opinion, as at the October 1, 2017 Wind Up Date and as at the Valuation Date of March 31, 2018, the Plan's assets were not sufficient to cover the liabilities of Ontario Plan members on a wind up basis. Based on the calculations as at March 31, 2018, the Administrator may submit an Application to the Ontario Superintendent of Pensions for a Declaration that the Pension Benefits Guarantee Fund applies in respect of the Ontario members under the Sears Canada Inc. Registered Retirement Plan.

Also, in our opinion:

> The data on which our opinion is based are sufficient and reliable for the purposes of the Actuarial Opinion.

> The assumptions used are appropriate for the purposes of the Actuarial Opinion.

> The methods employed are appropriate for the purposes of the Actuarial Opinion.

> This Actuarial Opinion has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada.

Richard M. Kular, F.C.I.A.

Philip Fosu, F.C.I.A.

Morneau Shepell
May 31, 2018

Appendix A – Assumptions and Methodology

In determining the assets and liabilities of the Plan, it is necessary to make assumptions with respect to the factors that will affect these amounts in the future. Emerging experience, differing from the assumptions, will result in gains or losses, which will be revealed when the assets of the Plan are disbursed.

Actuarial Assumptions and Methodology

The actuarial assumptions used to develop the financial position as at the Wind Up Date of October 1, 2017 and the March 31, 2018 valuation date are described in the following table.

Table A.1 – Actuarial Assumptions

	October 1, 2017 Valuation	March 31, 2018 Valuation
Annual discount rate (CV)	2.90% per year for 10 years, 3.70% thereafter	2.90% per year for 10 years, 3.70% thereafter
Annual discount rate (annuity)	3.25% per year	3.05% per year
Mortality (CV)	CPM 2014 with CPM-B projection scale	CPM 2014 with CPM-B projection scale
Mortality (annuity)	CPM 2014 with CPM-B projection scale	CPM 2014 with CPM-B projection scale
Actuarial cost method	Unit Credit	Unit Credit

Actuarial Methodology

The liabilities in this Actuarial Opinion are based on a projection of the liabilities in the AON Report forward to the Wind Up Date. For a summary of the assumptions used to determine the liabilities at December 31, 2015 check the AON Report.

Asset Allocation by Province

Because the Plan is less than fully funded, the allocation of assets by province, according to the Multi-Jurisdictional Agreement in effect on the Wind Up Date requires that Plan assets be allocated to provinces based on whether or not indexation was being funded. Because Ontario did not require funding of indexed benefits, non-indexed liabilities were used to apportion Plan assets to Ontario, while indexed liabilities were used with respect to the allocation for all other jurisdictions.

Table A.2 – Allocation of Market Value of Assets at Wind Up Date

Jurisdiction	Liabilities	Asset Allocation	Allocated Assets
	$	%	$
Ontario – non-indexed	680,394,500	56.09	577,735,000
Non-ON - indexed	532,561,000	43.91	452,206,000
Total	**1,212,955,500**	**100.00**	**1,029,941,000**

Contingency Reserve (CR)

We have not included a CR in our calculations as a result of FSCO's updated policy effective May 1, 2012.

Provision for Adverse Deviation (PfAD)

Since the calculations are based on assumptions, experience gains and losses will occur. A PfAD is used to cover potential losses due to adverse experience.

We have not included a PfAD in our calculations.

Appendix B – Assets

Asset Reconciliation

We have relied on the CIBC Mellon fund statement for the asset information. We have reviewed the statement for reasonableness. The following table reconciles the assets from October 1, 2017 to March 31, 2018 on a market value basis.

Table B.1 – Asset Reconciliation

	Ontario	Total Plan
	$	$
Allocated market value of assets at Wind Up Date	**577,734,500**	**1,029,940,800**
Receipts:		
• Contributions	-	-
• Investment returns	19,925,400	35,521,400
Total receipts	19,925,400	35,521,400
Disbursements:		
• Benefit payments	29,107,400	51,890,400
• Fees and expenses	8,514,000	15,178,100
Total disbursements	37,621,400	67,068,500
Allocated market value of assets at March 31, 2018	**560,038,500**	**998,393,700**

Appendix C – Summary of Plan Provisions

Please refer to the AON Report for a summary of the Plan terms. No changes to the provisions have been made, and the liabilities were rolled forward from the previous valuation.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985 c C-36, AS AMENDED

Court File No. CV-15-523714-00CP

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SEARS CANADA INC, 9370-2751 QUÉBEC INC, 191020 CANADA INC, THE CUT INC, SEARS CONTACT SERVICES INC, INITIUM LOGISTICS SERVICES INC, INITIUM COMMERCE LABS INC, INITIUM TRADING AND SOURCING CORP, SEARS FLOOR COVERING CENTRES INC, 173470 CANADA INC, 2497089 ONTARIO INC, 6988741 CANADA INC, 10011711 CANADA INC, 1592580 ONTARIO LIMITED, 955041 ALBERTA LTD, 4201531 CANADA INC, 168886 CANADA INC, AND 3339611 CANADA INC

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

AFFIDAVIT OF HAMISH DUNLOP
(re Pension Plan Deemed Trust)
(Affirmed August 24 2018)

BLAKE, CASSELS & GRAYDON LLP
Barristers & Solicitors
199 Bay Street
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Lawyers for Morneau Shepell Ltd., in its capacity as Administrator for the Sears Canada Inc. Registered Retirement Plan

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP
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M5V 3H1

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Lawyers for the Superintendent of Financial Services as Administrator of the Pension Benefits Guarantee Fund

TAB 3

Court File No. CV-17-11846-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c.C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SEARS CANADA INC., 9370-2751 QUÉBEC INC., 191020 CANADA INC., THE CUT INC., SEARS CONTACT SERVICES INC., INITIUM LOGISTICS SERVICES INC. INITIUM COMMERCE LABS INC., INITIUM TRADING AND SOURCING CORP., SEARS FLOOR COVERING CENTRES INC., 173470 CANADA INC., 2497089 ONTARIO INC., 6988741 CANADA INC., 10011711 CANADA INC., 1592580 ONTARIO LIMITED, 955041 ALBERTA LTD., 4201531 CANADA INC., 168886 CANADA INC., AND 3339611 CANADA INC.

Applicants

AFFIDAVIT OF BRIAN MILLS

I, Brian Mills, of the City of Mississauga, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the Chief Executive Officer and Superintendent of Financial Services (the "**Superintendent**") at the Financial Services Commission of Ontario ("**FSCO**"). As such, I have knowledge of the matters contained in this affidavit. Where I do not have direct knowledge of a matter, I indicate the source of my information and believe it to be true.

2. I submit this affidavit in support of the motion by FSCO and Morneau Shepell Ltd. ("**Morneau Shepell**" or the "**Plan Administrator**") for, among other things, declarations that, subject to the allocation and application of various charges imposed in the course

of these proceedings, (i) Sears Canada Inc. ("**Sears Canada**") is deemed to hold all assets and proceeds therefrom (the "**SCI Proceeds**") up to the amount due by Sears Canada in respect of the wind-up of the Sears Canada Inc. Registered Retirement Plan (the "**Wind-Up Deficiency**" and the "**Sears Pension Plan**", respectively) in trust for the beneficiaries of the Sears Pension Plan; (ii) 9370-2751 Québec Inc. (formerly Corbeil Électrique Inc.) ("**Corbeil**") and 191020 Canada Inc. (formerly SLH Transport Inc.) and 168886 Canada Inc. (collectively, "**SLH**" and together with Sears Canada and Corbeil, the "Employers"), are jointly and severally liable for the Wind-Up Deficiency and Corbeil and SLH are deemed to hold all assets and proceeds therefrom (the "**Corbeil/SLH Proceeds**", and together with the SCI Proceeds, the "**Proceeds**") up to the amount of the Wind-Up Deficiency in trust for the beneficiaries of the Pension Plan; (iii) Morneau Shepell has a lien and charge over the Proceeds as security for the amounts due to the Pension Plan by the Employers; (iv) the Superintendent has a lien and charge over the Proceeds as security for any funds that are paid out of Ontario's Pension Benefit Guarantee Fund (the "**PBGF**"); and, (v) such claims in respect of the Wind-Up Deficiency have priority to the claims of all other creditors of the Employers, and that the Proceeds up to the amounts to the Sears Pension Plan by the Employers are not distributable to such other creditors.

A. My Role

3. I was appointed to the office of Superintendent pursuant to the *Public Service of Ontario Act, 2006*. As Superintendent, I am also the Chief Executive Officer of FSCO, pursuant to the *Financial Services Commission of Ontario Act, 1997* (the "***FSCO Act***").

4. FSCO is an arm's length agency of the Ministry of Finance in Ontario. It is a regulatory and adjudicative body constituted under the *FSCO Act*. FSCO's statutory mandate is to provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors, to make recommendations to the Minister on the regulated sectors, and to provide resources for the Financial Services Tribunal. Persons who establish or administer a pension plan within the meaning of the *Pension Benefits Act*, R.S.O. 1990, c. P.8 (the "***PBA***"), and employers or other persons on their behalf who are required to contribute to such pension plans, are included in the definition of "regulated sector" under the *FSCO Act*.

5. In my capacity as Superintendent, I am responsible for supervising, in Ontario, the sectors regulated under the *FSCO Act*, including the pension sector, and for administering and enforcing the *PBA*. There are approximately 4,000 defined benefit pension plans registered in Ontario, covering over 3.5 million beneficiaries whom FSCO protects through its regulation of the pension sector. Excluding the large public sector plans, the total wind-up deficit of Ontario-registered pension plans would be close to $60 billion if these plans were wound up.

6. As Superintendent, I am also responsible for the administration of the PBGF under the *PBA*. The PBGF guarantees certain pension benefits to members of eligible pension plans in Ontario. Historically, the PBGF guaranteed payments to eligible plan beneficiaries of up to $1,000 per month. In the spring of 2018, the maximum guarantee amount was increased to $1,500 per month for any plan that winds up with an effective date of wind-up on or after May 19, 2017. Ontario members of the Sears Pension Plan will now benefit from this new $1,500 guarantee.

7. The PBGF is funded by an assessment on employers that sponsor eligible pension plans in Ontario. Although the Ontario government has, on rare occasions, extended loans or grants to the PBGF in order to permit it to satisfy claims made against the fund, I do not understand the government to be under any legal obligation to do so. Alternatives to government financing include, among other things, increasing the assessments paid by employers that sponsor eligible pension plans and winding-up the PBGF.

8. My role as regulator of the pension sector and administrator of the PBGF is particularly important today with the aging population. In the coming years, more and more Canadians will retire. The lack of full pensions upon retirement, after years of savings and planning, raises significant issues of fairness and social justice. In addition, the availability of these pensions serves an important economic objective: it reduces pensioners' dependence on taxpayer-funded benefits which enables a healthier and more self-sufficient retirement.

B. Defined Benefit Pension Plans and the General Scheme of the PBA

9. Defined benefit plans such as the Sears Pension Plan are a commitment by an employer to fund a plan, typically administered by the employer, so as to permit the plan to pay a defined amount in monthly pension benefits to former employees in retirement, for the duration of their life and the life of other eligible beneficiaries. As a practical matter, these pension benefits are generally understood by many to be deferred wages, and constitute a critical part of an employee's compensation.

10. In light of the social and economic importance of the employer's pension commitment, as described above, together with the long-term nature of the pension obligation, and the fiduciary obligations associated with the administration of the pension fund, defined benefit pension plans are subject to a carefully calibrated regulatory scheme.

11. Among other things, the *PBA* and its associated regulations create funding obligations in respect of defined benefit pension plans, and impose various forms of security in respect of such funding. In this way, the *PBA* and its associated regulations regularize and establish objective minimum standards for the funding of pension plans to which the *PBA* applies. This relieves employers and employees and/or their representatives from the obligation to separately negotiate these matters, whether as part of the pension plan, any applicable collective agreement, or otherwise.

12. Normally, there are two types of mandatory payments which are made to a pension plan under the PBA: "current service payments" (sometimes referred as "normal cost payments"), and "special payments".

13. Current service payments represent the present value of the projected retirement benefits earned by plan participants in the current period. These amounts must be contributed in the current period. The current service obligation is calculated by actuaries based on a variety of assumptions, including with respect to investment returns, levels of earnings, retirement rates, mortality rates, and the like, which are impacted by a variety of financial, economic, demographic, and other factors.

14. Special payments are payments required to account for any shortfalls that may arise from time to time in the funding of the pension plan. The calculation of the funding obligation to a pension plan is based on a variety of assumptions. However, actual plan experience is often different than assumed: investment returns may be different than what was assumed; the age at which plan beneficiaries retire may be different than what was expected; and retirees may live longer or shorter lives. As such, at any given point in time, a plan could have a funding shortfall (if experience is worse than expected).

15. In order to protect pension entitlements in light of the fluidity of funding requirements, the *PBA* requires that the funding of the pension plans be assessed at least every three years. These assessments, which are filed with FSCO, are sometimes referred to as "triennial valuations". They consider the funded status of the pension plan on both a "going-concern" and "solvency" basis:

(a) The "going-concern" valuation assumes that the pension plan will be ongoing. A plan is fully funded on a going-concern basis if its assets are greater than the present value of benefits accrued to date, assuming the pension benefits will be paid, as they are due, over the ongoing life of the pension plan.

(b) The solvency valuation is intended to guard against the risk of wind-up of the plan by comparing the value of its assets to the present value of benefits accrued to date, assuming the pension plan winds up and must permanently settle all of its liabilities immediately. If the liabilities are greater than the assets, the plan has a solvency deficit.

16. Where the plan has either a going concern deficit or a solvency deficit, the employer is typically required to make "special payments" to eliminate the deficits over time.

17. Since the 1990s, the sponsor of an Ontario-registered defined benefit pension plan with a solvency deficit has generally been required to make special payments to eliminate that deficit. Until approximately 2009, plan sponsors had five years to do so. However, starting in or about 2009, certain temporary solvency funding relief measures were implemented in the *PBA* which eased the solvency funding requirements for sponsors of private sector defined benefit pension plans. For example, with the consent of members and former members, the sponsor could elect to extend the five year solvency deficit funding period to ten years. The obligation to make solvency deficit payments has recently been further relaxed. Recent amendments to the *PBA* and its regulations, effective May 1, 2018, now provide that special payments in respect of a solvency deficit need only be made where the plan is less than 85% funded on a solvency basis. These changes are an example of the balancing that occurs, in the statutory scheme, of the risk to plan beneficiaries of an under-funded plan against the importance of maintaining employers' ability to invest in the business and remain competitive.

18. The balancing takes into account, among other things, the cyclical nature of investment returns and the financial stress that special payments impose on the plan

sponsor's business. It also takes into account the various protections afforded to pension claims by the *PBA*.

19. In particular, the *PBA* balances the risk of having periods, from time to time, of less-than-full funding through a number of priority provisions; provisions that have the effect of ensuring that pension claims, during periods of solvency deficit, are paid in priority to other claims against the employer. The *PBA*'s priority provisions include:

(a) the deemed trust provided by s-ss. 57(3) and 57(4) in respect of contributions that are due and unpaid, and any wind-up deficiency, respectively;

(b) a lien and charge provided by s-s. 57(5) in respect of the obligations described above;

(c) a lien and charge provided by s-s. 86(1) in respect of amounts paid by the PBGF; and,

(d) an exemption from execution provided by s-s. 66(1).

20. Subsection 30(7) of the *Personal Property Security Act* also provides that a deemed trust under s. 57 of the *PBA* takes priority over a security interest in an account or inventory.

21. Markets appear to recognize the pension priority provisions. For example, market participants have informed FSCO staff that it is the practice of operating lenders to monitor the debtor to ensure that amounts due to a pension plan are paid on a timely

basis, and to margin their loans for potential wind-up deficiencies, particularly following the Supreme Court of Canada's decision in *Indalex*.

C. The Sears Pension Plan

22. The Sears Pension Plan is a defined-benefit pension plan registered under the *PBA,* and has members across Canada.

23. Pursuant to the 1968 Memoranda of Reciprocal Agreements (attached as Exhibit "B" to Hamish Dunlop's affidavit affirmed August 24, 2018 (the "**Dunlop Affidavit**")) and the 2016 Agreement Respecting Multi-Jurisdictional Pension Plans (attached as Exhibit "A" to the Dunlop Affidavit) (collectively, the "**Reciprocal Agreements**") the Superintendent has the principal regulatory jurisdiction for the Sears Pension Plan for all plan members, including those residing in other parts of Canada. Specifically, because the plurality of Sears Pension Plan members were employed in Ontario, the other provincial regulators have delegated their regulatory authority to me.

24. Until the recent appointment of Morneau Shepell as replacement administrator, the Sears Pension Plan was administered by Sears Canada for the benefit of all participating employers and plan beneficiaries.

25. Beginning in 2007, the Sears Pension Plan reported a wind-up deficit in its triennial valuations:

Report Date	**Wind-up Deficit Reported**
December 31, 2007	$36 million
December 31, 2010	$307 million
December 31, 2013	$133 million
December 31, 2015	$267 million

26. On July 1, 2008, Sears Canada amended the Sears Pension Plan to freeze all defined benefit accruals under the plan. As a result, Sears Pension Plan members retained defined benefit pensions earned up until July 1, 2008, but ceased accruing any additional defined benefit service from then on. Also on July 1, 2008, Sears Canada added a defined contribution component to the Sears Pension Plan.

27. Beginning in 2013, an *ad hoc* group of Sears Canada retirees (the "**Sears Store, Catalogue and Retiree Group**" or "**SCRG**") raised concerns with FSCO about the viability of the Sears Pension Plan. In or about 2014, the SCRG began requesting of Sears Canada and the Superintendent that they wind-up the Sears Pension Plan.

28. FSCO carefully considered the requests by the SCRG, and closely monitored the state of the Sears Pension Plan. However, in my assessment, the conditions that would have provided the Superintendent with discretion to order a wind-up did not exist prior to Sears Canada's *CCAA* filing. Under the *PBA*, the Superintendent's discretionary authority to order the wind-up of a single employer pension plan exists only in very

specific circumstances. If these circumstances do not exist, only the employer who sponsors the plan has the authority to wind it up.

29. Specifically, under s-s. 69(1) of the *PBA*, I can only order that a single employer pension plan be wound up where (i) the employer stops or suspends its contributions to the pension fund; (ii) the employer fails to make required contributions to the pension fund; (iii) the employer is bankrupt; (iv) all or substantially all of the members of the pension plan have ceased to be employed by the employer; (v) all or substantially all of the employer's business or the assets of the employer's business are sold, and the entity which acquires the business or assets does not provide a pension plan for the former employees of the employer; or (vi) the PBGF's liability is likely to be substantially increased if the pension plan is not wound up.

30. If and only if one of these statutory grounds is met, do I have the discretion to order the wind-up of a single employer pension plan, like the Sears Pension Plan. To do so, I issue a Notice of Intended Decision. At that time, the employer, plan beneficiaries, and any other affected parties have the right to object to the proposed wind-up order through a hearing at the Financial Services Tribunal over whether it was appropriate to order the wind-up of the plan (e.g., whether one of the *PBA* conditions had in fact been met). The decisions of the FST can then be the subject of an application for judicial review, from which further appeals can be taken. All in all, the process can be time-consuming.

31. Legally and practically, the *PBA* imposes principle responsibility and discretion to wind-up a pension plan on the plan sponsor. In doing so, however, the *PBA* balances

the risk of bad decision making (or, worse, bad conduct) by the plan sponsor in various ways, including, among other things, by operation of the priority provisions described above.

32. Sears Canada and the members of its board were required to exercise their discretion prudently and responsibly, and in a manner that was not unfairly prejudicial to the Sears Pension Plan and its beneficiaries, having regard to their fiduciary obligations and all of the information in respect of Sears Canada's business that was reasonably available to them. Whether they fulfilled that obligation is a matter that remains to be determined, but I would not expect the Sears Pension Plan members or participants in the PBGF to lose the benefit of protections afforded by the *PBA* due to the discretionary decisions made by Sears Canada.

33. Notwithstanding the request by the SCRG, Sears Canada did not exercise its discretion to wind-up the Sears Pension Plan. On June 22, 2017, Sears Canada and a number of its affiliates applied for and were granted protection under the *CCAA*. Shortly thereafter, the Court approved a sale and investor solicitation process (the "**SISP**"). Under the SISP, Sears Canada and the Bank of Montreal marketed various going-concern solutions. Through most of September 2017, there was at least one bid group led by Brandon Stranzl, former chief executive officer and board member of Sears Canada, which was seeking to buy Sears Canada as a going concern and to maintain the Sears Pension Plan. Throughout this process, Sears Canada was making special payments to the Sears Pension Plan of about $3.7 million per month and was compliant with the funding requirements under the *PBA*.

34. Ultimately, the SISP did not result in the approval of any going-concern transactions. On or about September 30, 2017, Sears Canada ceased making its required special payments to the Sears Pension Plan. Shortly after Sears Canada suspended its special payment contributions, on October 13, 2017, the Court approved a second liquidation, this time for substantially all of Sears Canada's remaining property. We accepted that a going-concern outcome was not possible. As a result, Sears Canada would inevitably cease its operations and terminate its remaining employees.

35. I now had the authority to order the wind-up under the *PBA*, because Sears Canada had suspended its contributions, and at this point, the only reasonable course of action was to order the wind-up of the Sears Pension Plan. I appointed Morneau Shepell as the new administrator of the Sears Pension Plan a few days after the second liquidation order. Among other things, Morneau Shepell was tasked with administering the winding up of the plan.

36. On November 10, 2017, I issued a notice of my intention to order the wind-up of the Sears Pension Plan effective October 1, 2017, with such wind-up including all plan members whose employment was terminated on or after June 13, 2017 (the "**NOID**"). A copy of the NOID is attached to the Dunlop Affidavit as Exhibit "H".

37. The NOID was transmitted to the entire Service List for these *CCAA* proceedings. All creditors received notice of the applicable dates, and had the opportunity to object to the wind-up. One creditor constituency, led by 1291079 Ontario Limited (the "**Class Action Creditors**"), did object to the NOID by filing a Request for

Hearing on December 7, 2017. Eventually, the Class Action Creditors withdrew their request for a hearing at the FST. My order winding up the Sears Pension Plan is now final, and attached to the Dunlop Affidavit as Exhibit "I".

38. The Sears Pension Plan is eligible for the application of the PBGF, and on July 31, 2018, I issued a Notice of Intended Decision to declare that the PBGF applies to the Sears Pension Plan. Morneau Shepell has estimated that the Sears Pension Plan is underfunded by approximately $260.2 million.

39. The PBGF will ensure that the Ontario beneficiaries of the Sears Pension Plan receive the guaranteed benefits pursuant to the *PBA*. As a result, on April 9, 2018, FSCO staff estimated that the PBGF will allocate approximately $125 million to the Sears Pension Plan.

40. Accordingly, I have filed a claim for this amount on behalf of the PBGF, in accordance with the claims procedures established by the Monitor and approved by the Court on February 22, 2018. In my proof of claim, I have asserted priority pursuant to the Superintendent's lien and charge under the *PBA*, as well as pursuant to my subrogated rights in respect of the pension administrator's lien and charge and the *PBA* deemed trust. I have been advised by Ken Rosenberg, who is counsel to the Superintendent, and I verily believe, that the Monitor has not issued any notices of disallowance or revision with respect to the PBGF claim.

41. I have also been informed by the financial advisor retained by my counsel, Allan Nackan of A. Farber and Partners Inc., and I verily believe, that no other remaining creditors have claimed a security interest in the Sears Canada estates. The liens

created by the *PBA* appear to be the only security interests over all the funds remaining in the estate, subject only to various charges created in these proceedings and the *PBA* deemed trust.

42. In my experience, the priority provisions in the *PBA* are an important part of the carefully calibrated scheme for the protection of pension interests in Ontario. The *PBA* priority provisions safeguard pension entitlements without requirements which would unduly hamper the employer's ability to operate a competitive business. An outcome that would deny the benefit of the *PBA* priority provisions would deprive beneficiaries of their pension entitlements and would appear to me to create a windfall for other creditors, particularly in the context in this case, which does not engage the interests of any secured creditors. More importantly, however, for my purposes as the regulator of pensions in Ontario, such an outcome would establish that the protections that I understand to exist for the benefit of pension plan beneficiaries are wholly ineffective, and would merit a reconsideration of the existing *PBA* policy and legislative scheme.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario on August 24th, 2018

Commissioner for Taking Affidavits
Elizabeth Rathbone
LSO #: 70331U

BRIAN MILLS

Doc 2566791

Court File No. CV-17-11846-00CL

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SEARS CANADA INC., 9370-2751 QUÉBEC INC., 191020 CANADA INC., THE CUT INC., SEARS CONTACT SERVICES INC., INITIUM LOGISTICS SERVICES INC. INITIUM COMMERCE LABS INC., INITIUM TRADING AND SOURCING CORP., SEARS FLOOR COVERING CENTRES INC., 173470 CANADA INC., 2497089 ONTARIO INC., 6988741 CANADA INC., 10011711 CANADA INC., 1592580 ONTARIO LIMITED, 955041 ALBERTA LTD., 4201531 CANADA INC., 168886 CANADA INC., AND 3339611 CANADA INC.

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Court File No. CV-17-11846-00CL

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Proceeding Commenced at Toronto

MOTION RECORD OF THE PENSION PLAN ADMINISTRATOR AND THE SUPERINTENDENT (re Pension Plan Deemed Trust)

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