#### **DB Pension – General Questions**

- 1. What does the CCAA filing mean for the Company's registered pension plan and its assets?
- The assets of the Defined Benefit component of the Sears Registered Retirement Plan (SRRP) are held by CIBC Mellon an independent trust company. Those assets are separate and apart from the Company's assets. As such, they are not subject to claims by the Company's creditors.

#### 2. Is the DB component of the SRRP underfunded and in a deficit?

- The last valuation for the DB component of the SRRP that was filed with the pension regulator (FSCO) as at December 31, 2015 showed a going-concern surplus of \$28.9 million and a deficit on a wind-up basis of \$266.8 million. This means the SRRP would be in a deficit position if it were wound up.
- That last valuation as of December 31, 2015 estimated that the assets of the pension plan were less than the liabilities under the pension plan and that the "transfer ratio" was approximately 81%.

#### 3. Why is the DB component of the SRRP in a deficit?

- Every three years when a valuation is completed, the actuaries for the plan determine the estimated funded status of the pension plan. In determining the funded status of the pension plan, a number of factors and assumptions are used, such as interest rates and life expectancy of participants. These factors change over time which impact the level at which the plan is funded.
- Once the valuation is completed, the funding requirements for the next three years are determined. Sears Canada has been making all required payments into the pension plan in accordance with the requirements of pension legislation.

#### 4. Will the Company continue to make payments into the DB component of the SRRP?

- The Company has made all required payments with respect to the DB component of the SRRP as of June 22, 2017.
- The Company expects to ask the Court's permission to suspend pre-existing payment obligations to reduce the financial strain on the Company and to give the Company the time and stability to enable it to restructure. The Company expects that this issue will be dealt with by the Court in a "Comeback Motion". Additional information regarding the date of the Comeback Motion will be available in the materials to be sent to your home address in the next few days.
- Court materials regarding the Comeback Motion will be available on the Monitor's website. Also, as decisions are made, you will be updated on these decisions through my.sears.ca. You can also find information concerning the CCAA proceedings on the Monitor's website at http://cfcanada.fticonsulting.com/searscanada.
- Even if the end result of the Comeback Motion is that contributions to the SRRP are suspended, this does not mean that your monthly pension payments from the SRRP will be suspended. Your monthly pension payments will continue they are not affected by the Initial CCAA Order and will not be affected by any order made by the Court as a result of the Comeback Motion.

#### 5. Are my DB benefits guaranteed?

• The defined benefit assets of the registered pension plan are held by CIBC Mellon - an independent trust company. Those assets are separate and apart from the Company's assets. The entitlements of DB pension plan participants are provided from the available assets in the defined benefit plan at this time.

#### 6. Am I entitled to withdraw the commuted value of my DB pension?

- If you are a <u>terminated associate</u>: If you cease to be an employee of the Company then you will be sent a pension package to your home address outlining your options under the DB component of the SRRP. You will then be able to elect to defer your pension, start a monthly pension or take your commuted value with an initial payment at 81% of the commuted value. (*Please see question 13 to explain why you would initially receive 81% of the commuted value*)
- If you are <u>retired and receiving a monthly pension</u>: If you are already receiving a monthly pension then you cannot change your election to receive your commuted value.

#### 7. Does the Company intend to wind-up the DB plan as part of the CCAA process?

• At this time, decisions regarding the future treatment of the SRRP have not been made.

#### 8. If the SRRP is wound up, what happens to the assets in the plan?

- The SRRP is registered in the Province of Ontario. In Ontario, if a pension plan is wound-up, the plan administrator would file a wind-up report with the Ontario pension regulator being the Financial Services Commission of Ontario (FSCO). Once a wind-up report is approved by the pension regulator, the plan assets are applied towards the pension entitlements of the participants. The defined benefit assets would be applied towards the defined benefit entitlements of all DB pension plan participants.
- Commencing the CCAA process does not trigger a wind-up of the pension plan nor has Sears Canada filed for a wind-up.

#### 9. What is the Pension Benefits Guarantee Fund (PBGF)?

• The PBGF provides a degree of protection to Ontario members and beneficiaries of particular types of defined benefit pension plans (which include the SRRP) in the event the Company is unable to contribute the amount required on wind-up basis. The PBGF only applies in circumstances where the pension plan is wound-up. Commencing the CCAA proceeding does not trigger a wind-up nor has Sears Canada filed for a wind-up.

#### 10. Would the Pension Benefits Guarantee Fund (PBGF) apply to me?

- The PBGF can only apply with respect to Ontario members and beneficiaries.
- The PBGF can only apply if the pension plan is wound-up.
- The PBGF would only apply if the Ontario Superintendent of Financial Services makes a declaration that the PBGF applies.
- Commencing the CCAA proceeding does not trigger a wind-up of the SRRP.

# 11. If during the CCAA process, the Company is sold to another organization, what happens to the SRRP? Would the purchaser be responsible? Can the terms of the plan be changed?

• If the Company were to be sold to another company, any obligations of the purchaser regarding the SRRP would depend on the terms of the purchase agreement and transaction.

#### 12. What do I do if I have questions about the CCAA filing or what this means to my pension?

 For questions relating to what this means for your pension during a CCAA proceeding, you follow regular process and contact the HR Service Centre at <u>HRSC@sears.ca</u> or 1-888-444-9444 (locally in Toronto 416-572-7300). Information regarding the CCAA proceedings will also be available on the Monitor's website at <u>http://cfcanada.fticonsulting.com/searscanada</u>.

#### Terminated Associates (including Deferred) - with DB Pension Benefit

- 13. My employment has been terminated with the Company, and I have received my pension package prior to the announcement but have not yet made my decision. If I elect to transfer the commuted value of my pension out of the Plan, will I receive 100% of the commuted value of my pension?
- The Ontario pension legislation permits, but does not require, a company to transfer 100% of the commuted value out of the pension plan. Prior to the CCAA filing, as was permitted under Ontario pension legislation, the Company had been transferring out 100% of the commuted value of the pension entitlement when a commuted value transfer was elected.
- In light of the CCAA filing, the Company will now follow the minimum standard under Ontario's pension legislation. This means if a commuted value is elected, it will be transferred at 81% based on the Transfer Ratio as shown in the actuarial valuation report prepared as at December 31, 2015. The Company will then have up to 5 years after your initial transfer to pay the difference.
- If on June 12, 2017 the Company had not received your signed form electing to receive your commuted value, then you will continue to be eligible to elect your commuted value, however as an initial payment, you will receive 81% of your commuted value and you will retain your entitlement to receive the remaining balance within 5 years after your initial transfer date.
- If the Company had received your completed and signed form **prior to** June 12, 2017 and you elected to receive your commuted value, you will receive one payment of 100% of the commuted value.

# 14. How will I receive the remaining 19% of the Commuted Value? Is this payment guaranteed?

- The minimum standard under Ontario's pension legislation requires that the balance of the commuted value of 19% is to be paid within 5 years after the date of the initial transfer. The additional payments, like the initial transfer amount are paid from the pension plan. This obligation is not affected by the Initial CCAA Order.
- Within 5 years, you will be contacted regarding payment of the outstanding balance and to confirm your transfer information is still accurate.

# 15. I recently left the Company and have already submitted my paperwork to start a monthly pension, but have not actually started receiving my monthly pension. I would like to change this election to take my commuted value, can I?

• Once you have signed and submitted your pension paperwork with your election to the HR Service Centre, you cannot make a change to your election.

#### 16. I elected to defer my pension until a later age, what does this mean to me?

- Under pension legislation you have a right to elect to commence your monthly pension at any time on or after you reach age 55. This right is not affected by the Initial CCAA Order. If you elect to commence your monthly pension after you reach age 55 but before age 65 then the amount of your monthly pension will be determined in accordance with the terms of the pension plan. The monthly pension calculation is not affected by the Initial CCAA Order.
- As you have submitted your pension package electing to defer your pension, you cannot make a change to your election (unless you are in Quebec, please see question 17 below)

### 17. I elected to defer my pension when I left but I would like to take my commuted value. Can I do this?

- Once you have elected to defer your pension, you have made the decision to take a monthly pension at a later date. If your paperwork was submitted you cannot elect to change your decision, unless you reside in Quebec.
- If you are in Quebec, then every five (5) years you have an opportunity to change your election. If you are in Quebec and you wish to make a change to your election, please follow the regular process and contact the HR Service Centre on the 5-year anniversary date. If you elect to change your decision and elect for a commuted value, you would receive an initial payment of 81% of the commuted value and the Company then has up to 5 years to transfer the balance.

# 18. Where can I get more information on my current pension benefits for the DB component of the SRRP?

• The Company has recently mailed out or posted your annual pension statement on your my.sears.ca profile with information as of December 31, 2016. If you are a recently terminated associate, you will continue to have access to your my.sears.ca account for a period of 18 months following your termination. Please log into your my.sears.ca account to receive your annual pension statement. If you retired from Sears Canada and are receiving a monthly pension, please check your mail over the next few days to look for your Annual Pension Statement.

#### Retiree/Surviving Spouse - with DB Pension Benefit

- 19. I am a retiree currently receiving a pension from the Defined Benefit component of the SRRP. Will the CCAA filing affect my monthly pension payments or the amount of those payments?
- Monthly pension payments to current retirees from the DB component of the SRRP plan are not affected by the Initial CCAA Order.
- 20. I am currently receiving a monthly pension from the SRRP, but I want to transfer the commuted value of my pension out of the SRRP. Can I do this?
- No, pension legislation does not permit a person who has already elected a pension option and is

receiving a monthly pension to make a change and transfer the commuted value of their pension out of a pension plan.

# 21. My spouse had a pension from the Sears pension plan and I am receiving a monthly or annual survivor pension, does my entitlement or payments change?

• Monthly or annual pension payments to surviving spouses from the Company's registered pension plan (SRRP) are not affected by the Initial CCAA Order. These payments will continue.

### 22. My family member (e.g. spouse, father, mother) was receiving a pension from the Sears pension plan and has passed, how do I notify you?

• Please send a copy of the certificate of death to the HR Support Centre at 290 Yonge Street, Suite 700, Toronto, Ontario, M5B 2C3, Attention of Pension Administration team.

#### Retired Associates - Defined Contribution (DC) Pension

#### 23. Is my money protected in the DC pension plan? Am I entitled to 100%?

- The assets of the defined contribution (DC) component of the SRRP are held by Sun Life Financial an independent insurance company. Those assets are separate and apart from the Company's assets. They are not subject to claims by the Company's creditors.
- As you were making contributions into the DC component of the SRRP, the Company was making all matching contributions into your account at Sun Life at the same time. This money is 100% vested and is not reduced as a result of the CCAA proceeding.
- When you left the organization, you would have received communication directly from Sun Life Financial regarding your DC pension. Please contact Sun Life Financial or visit <u>www.sunlife.ca/member</u> if you wish to receive any information on how to transfer your money in the DC component of the SRRP.

#### Retiree Benefits – Health, Dental, Life insurance and Discount

If based on your age and years of service, you qualified to receive retiree health and dental when you retired from the Company, please see the FAQ's below.

#### 24. What happens to my retiree health and dental benefits?

- The Initial CCAA Order permits the Company to suspend payments with respect to pre-existing obligations in order to reduce the financial strain on the Company and to give the Company the time and stability to enable it to restructure.
- Payments with respect to health and dental benefits for retirees fall under the description of payments with respect to pre-existing obligations. At this time, the Company does not intend to suspend payments with respect to retiree health and dental benefits. Claims relating to retiree health and dental benefits will continue to be processed in the same manner as they were prior to the CCAA filing.
- The Company expects that the issue of suspending payments with respect to retiree health and dental benefits will be dealt with by the Court in a "Comeback Motion". Additional information regarding the date of the Comeback Motion will be available in the materials to be sent to your home address in the next few days.

 Court materials regarding the Comeback Motion will be available on the Monitor's website. Also, as decisions are made, you will be updated on these decisions through my.sears.ca. You can also find information concerning the CCAA proceedings on the Monitor's website at http://cfcanada.fticonsulting.com/searscanada.

#### 25. What happens with my retiree life insurance, do I still have retiree life insurance?

- The Initial CCAA Order permits the Company to suspend payments with respect to pre-existing obligations in order to reduce the financial strain on the Company and to give the Company the time and stability to enable it to restructure.
- Retiree life insurance benefits are currently insured through Sun Life Assurance Company an
  independent insurance company and the Company currently makes premium payments to Sun Life
  with respect to that coverage. At this time, the Company does not intend to suspend premium
  payments to Sun Life with respect retiree life insurance benefits and expects Sun Life to continue to
  process claims relating to retiree life insurance in the same manner as they were prior to the CCAA
  filing.
- The Company expects that the issue of suspending payments with respect to retiree life insurance will be dealt with by the Court in a "Comeback Motion".
- Court materials regarding the Comeback Motion will be available on the Monitor's website. Also, as decisions are made, you will be updated on these decisions through my.sears.ca. You can also find information concerning the CCAA proceedings on the Monitor's website at http://cfcanada.fticonsulting.com/searscanada.

#### 26. What happens to my retiree Sears discount?

• At this time, Sears Canada has not suspended the Sears retiree discount and thus the Sears retiree Sears discount is currently still available, all in the same manner as it was prior to the CCAA filing.

#### Questions:

Should you have a specific question in regards to the administration of your pension or benefits (i.e address change, passing of spouse, etc) please follow regular process and contact the HR Service Centre at <u>HRSC@sears.ca</u> or 1-888-444-9444 (locally in Toronto 416-572-7300).